Self-promotion

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Hotels open doors to 'Club floors'

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Is the flow of funds receding?

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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY MARCH 21 1994

Militant Kurds stage violent German protests

About 6,000 militant Kurds went on the rampage in the southern German town of Augsburg and on a nearby motorway after authorities barred them from holding a rally. Protesters commandeered several buses, blocking the motorway, and poured fuel on the asphalt and set it alight. Other demonstrators, supporters of the banned Kurdistan Worker's Party (PKK), blocked intersections in Augsburg and threw firebombs, police said. Kurds also set fire to a train car in Wiesbaden, and held demonstrations in Berlin. Police said in all about 30 protesters were arrested and 85 police officers injured. Germany banned the PKK in November, saying its members used violence.

Crédit Lyonnais rescue package: The French government is reported to be ready to inject about FFr4bn ($660m) of fresh capital into Crédit Lyonnais in a rescue package for the state owned bank, expected this week. Page 15

Main parties hit in German poll: Both Germany's main political parties, Chancellor Helmut Kohl's Christian Democrats, and the opposition Social Democrats, suffered a significant loss of support in local elections in the northern state of Schleswig-Holstein. Page 15

Ireland backs temporary IRA ceasefire

The Irish government sought to breathe fresh life into the Northern Ireland peace process with deputy prime minister Dick Spring saying a temporary ceasefire by the IRA would be "a step in the right direction". The decision to encourage a temporary ceasefire contrasts with the previous approach in both London and Dublin of concentrating on the prospects for a permanent cessation of violence. Page 14

EU enlargement threatens UK split: The prospects of a damaging split in Britain's Conservative party over enlargement of the European Union increased as opinion hardened on both sides of the English Channel ahead of a crucial meeting tomorrow in Brussels. Page 15

Privatisation alliance: An alliance between merchant bank Kleinwort Benson and BZW, investment-banking arm of Barclays Bank, is bidding to advise the government on electricity privatisation, a move which could mark the start of a trend. Page 15

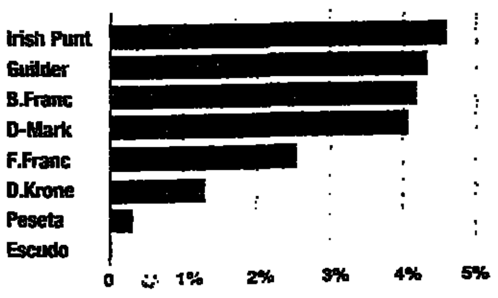
The meaning of 'm': Two British businessmen are threatening to sue Union Bank of Switzerland after one of its Swiss branch managers supplied a reference saying that a customer was good for £18m, but later insisted that it had meant £18,000. The manager said "m" refers to "mille" in Switzerland, not millions. Page 7

Apec seeks economic alliance: The 18 finance ministers of the Asia-Pacific Economic Co-operation forum took a tentative step toward an economic alliance. Page 5

El Salvador holds elections: Salvadorans voted in historic elections with leftist former rebels and the ruling right-wing party both predicting victory in their first electoral battle after 12 years of civil war. Page 5

European Monetary System: The D-Mark last week again slipped below the Belgian franc to fourth spot in the EMS grid. The Irish punt remains the strongest currency and the Portuguese escudo the weakest. The French franc and the Danish krone both weakened leaving a fairly clear divide between the top and bottom four currencies. Currencies, Page 27

EMS: Grid March 18, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

González deal on top party jobs: Spain's prime minister Felipe González was forced to accept a compromise with hardliners in the allocation of top Socialist party posts. The deal avoided an open rift ahead of European and regional elections in June. Page 4

Somalia hit by cholera: A cholera epidemic has hit Somalia as it struggles to recover from famine and civil war. More than 1,700 cases, and 100 deaths, have been reported since the first outbreak of the disease last month. Page 3

Hopes rise for British soldiers: Hope of finding five British and Hong Kong soldiers lost for three weeks in dense jungle surrounding Mt Kinabalu in Malaysia's north Borneo state of Sabah was raised when rescuers found remains of the men's food.

US to seek UN backing in row with North Korea

By Nancy Dunne in Washington and John Burton in Seoul

The US said yesterday it would seek United Nations support in an attempt to force North Korea to allow international inspectors full access to its nuclear facilities.

Washington said it was also ready to act bilaterally, increasing its military activities in the region. Mr Warren Christopher, US secretary of state, said the US was preparing to deploy Patriot missiles in South Korea and to reinstate joint military exercises with South Korea "in the very near future".

"We're not seeking a confrontation with North Korea, but if they insist on it, I'm sure we'll prevail," Mr Christopher said on US television.

He said the US would be seeking a resolution at the UN Security Council. "I think we'll be preparing for trade sanctions," Mr Christopher added, but this depended on North Korea's actions.

Congressional leaders put their weight behind the administration's increased pressure. Congressman Richard Gephardt, the House majority leader, said US aircraft carriers would be despatched to the region unless Pyongyang complied with inspectors from the International Atomic Energy Agency. The US may also increase its troop strength there, he added. Currently 37,000 US troops are stationed in South Korea.

The board of governors for the IAEA is expected today to decide to refer the North Korean nuclear issue to the Security Council.

In Beijing yesterday, Chinese leaders told Mr Morihiro Hosokawa, the visiting Japanese prime minister, they would try to persuade North Korea to open its nuclear sites in an effort to avoid an international crisis, but Beijing counselled patience.

China is the key to any international approach. If China blocks sanctions in the UN Security Council, the US and South Korea will have few options left, short of military action, to force the North to accept nuclear inspections. Mr Christopher said China would support the US plan because it was in its own interest. However, China's ambassador to South Korea warned that his country would not support sanctions against the North. "Such measures are not only ineffective, but would also complicate matters and aggravate the situation," Mr Zhang Tingyan, the Chinese ambassador, told a South Korean news agency.

He proposed instead that the US grant diplomatic recognition to North Korea to resolve the nuclear dispute. "North Korea-US diplomatic normalisation will contribute to peace and stability on the Korean peninsula."

South Korean President Kim Young-sam will travel to Beijing this week to ask China to intervene and persuade the North to accept nuclear inspections, or support sanctions if persuasion fails.

Any military response, such as an air strike on the North's nuclear facilities, is considered unlikely, however, since it would almost certainly provoke a North Korean attack on the South and destabilise the north-east Asian region.

Beijing's promise, Page 2

Russia and IMF unable to agree on $1.5bn loan

By John Lloyd in Moscow

Russia and the International Monetary Fund have failed to agree on a further $1.5bn loan which Russia is seeking to help economic reform.

After three days of talks, Mr Victor Chernomyrdin, the Russian prime minister, will today make a last attempt to persuade top IMF officials to release the funds before they return to the US.

Mr Chernonomyrdin will meet Mr Michel Camdessus, the IMF managing director, for a final round of talks.

The loan, which is vital to the Russian government, is the second tranche of $3bn in funds to help reform and part of a $43bn package agreed by the Group of Seven leading industrial nations last year in Tokyo.

The loan would:

- Inject desperately needed hard currency into Russia at a time when capital continues to be exported.
- Signal the IMF's belief that continued reform is possible under Mr Chernomyrdin's leadership.
- Allow Russia to service its debt obligations and thus increase its chances of receiving further debt relief and loans.

However, the indications from both sides are that the IMF officials cannot reconcile the budget's assumptions with what they believe will be the out-turn at the end of the year.

According to one source, the Russian side had withheld details from the IMF team until the last moment in order to weaken the team's position during the talks.

The IMF is concerned that the expenditure in the budget, Rbs183,000bn, will be exceeded long before he end of the year and that the income, of Rbs120,000bn, will not be gathered in because of rapidly falling tax revenues. The IMF also thinks that the Russian parliament, which has only just been sent the draft budget, will not approve it and will demand much higher spending.

Mr Chernomyrdin issued the invitation to Mr Camdessus to visit Moscow earlier this month in the hope that face-to-face discussions would break the deadlock in talks over the loan. Previous meetings between the two men have been frosty.

But Mr Camdessus – aware that assisting Russian reform is the biggest challenge to the IMF's abilities since the war – is determined to make every effort to secure agreement, if one can be reached within under the IMF's lending criteria.

The Russian prime minister has striven in the past two months to promote his image as a reformer, following the departure from the cabinet of Mr Yegor Gaidar and Mr Boris Fyodorov, formerly deputy prime ministers and the most prominent radicals.

However, it has been widely assumed outside Russia that the reforms are at best stalled. Russian debt traded on the international markets at 55 cents to the dollar in December but has halved to 28 cents today, and it is "still under pressure", according to H. Rivkin and Co, a New York investment house specialising in distressed bonds.

Lt-Gen Sir Michael Rose, UN commander in Bosnia, shakes hands with a Sarajevan football supporter after the city's team beat a UN side 4-0. Around 20,000 people watched the match, the largest crowd to gather in the city since war broke out nearly two years ago Associated Press

Italy to speed up telecoms sell-off

By John Simkins in Milan

The Italian government is to speed up plans to sell its 52 per cent stake in Stet, the national telecommunications utility, in what it is describing as "the mother of privatisations".

At the same time, it is preparing its telecommunications operators for international competition by merging five separate networks into a single unit, under plans announced at the weekend. This new company, Telecom Italia, will be the principal asset of Stet.

Italy is to hold a general election next weekend, but a new government is expected to proceed with the sell-off of Stet, which may now take place before the end of the year.

The cabinet, which has yet to name advisers to the flotation, is aiming at wide ownership. This will include a core of financial institutions as leading shareholders, which the government hopes will provide stable ownership. A 0.5 per cent limit is likely to be set on holdings acquired in the public offer, while the institutions will be able to hold up to 2 per cent.

The rationalisation of the five groups, long held up by vested political interests, was agreed by their boards and is to take place in August. Telecom Italia will be the world's sixth largest telecoms operator in terms of turnover, which topped L26,800bn ($15.6bn) last year, and will have nearly 100,000 employees.

The merger of Sip, the quoted domestic network operator, and the four smaller groups, is intended to cut costs, integrate overlapping organisations and provide a single group able to compete in Europe's deregulated market due to come into force by 1998.

Sip has a monopoly in the domestic network, but the market in cellular telephones is being opened up. The winner of a race to run Italy's new Europe-wide GSM network is expected to be announced this week.

The merger of the five companies is to be achieved by converting their shares into shares in Sip, under terms of exchange based on the companies' stand-alone values as determined by the government's advisers to the restructuring, J.P. Morgan and Albertini Sim.

Interest has focused on the shares exchange with Italcable, the international telecoms operator which is the only other quoted company of the five. For each Italcable share, both ordi-

Continued on Page 14

Gillette under pressure over plan to close Spanish plant

By David White in Madrid

Gillette, the US consumer products group, will this week come under strong pressure from Spanish regional authorities to drop controversial plans to close a razor-blade factory near Seville and transfer production to the UK and Germany.

The closure plan carries echoes of the row early last year over the decision by Hoover of the US to stop making vacuum cleaners at Longvic, near Dijon, and move its operations to Cambuslang in Scotland.

Hoover's move brought French accusations against Britain of "social dumping" by using lower wages and less favourable working conditions to lure the US company away from France.

The Gillette case is another instance of a multinational opting to move its production base within the European Union's single market. Gillette management told staff at the Alcalá de Guadaira factory at the weekend that its decision to close was "irrevocable".

Its plan for cutting excess European capacity involved concentrating production of razors and razor-blades at Berlin and Isleworth, west London.

The group announced earlier this year plans to cut 2,000 jobs worldwide. The Spanish plant, which employs about 250, was set up in the 1960s as part of an industrial development plan for the region. Of the three Gillette plants, it is considered to have the least advanced technology.

Employees' representatives claimed Gillette's decision was linked to new investments by the company in Russia, Poland and Turkey, where it could take advantage of lower wage costs.

Members of Andalucia's Socialist regional government are set to met Gillette managers this week to try to persuade the company to change its mind. Gillette sparked off a similar storm in France in the late 1980s over its withdrawal from manufacturing at Annecy, near the French-Swiss border.

Public sentiment in Andalucia has already been primed by a furore over job cuts at Santana Motor, a subsidiary of the Japanese Suzuki group making four-wheel-drive vehicles at Linares.

The workforce at Linares, where it is the only remaining industrial employer of any significance, is due to be cut by 1,500, leaving about 900. The reduction was one of the conditions under which the company agreed to lift its threat to close down completely.

Unions have called a general strike in the area on Tuesday as part of a series of widely-supported protests.

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

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Japan to curb rise in car exports to EU

By William Dawkins in Tokyo

Japan has agreed to restrict the rise in car exports to the European Union to 0.4 per cent this year, reducing Japanese car industry hopes for an export-led recovery,

The deal, agreed on Saturday between trade officials from the European Commission and Japan's Ministry of International Trade and Industry, means Japan's EU market share is set, in theory, to fall fractionally.

Japan and the EU agreed three years ago to set annual Union-wide import quotas, to be reassessed every six months, to pave the way for an open European car market by the end of the decade.

Japan's car industry accepted the small increase in exports without complaint, reflecting the fact that their overall EU sales would be little affected as a result of the build-up in European-based production.

"We will continue to hold back our exports and respect the spirit of the agreement, which was made under the premise that the EU car market will be liberalised in the year 2000," said Mr Yutaka Kume, chairman of Nissan and the Japan Automobile Manufacturers' Association.

The accord allows Japan to export 984,000 cars to the EU this year, 8.2 per cent of expected EU demand for 11.97m vehicles. Tokyo and Brussels differ over how much the European market will grow, but the accord is based on an expected 2 per cent increase in demand, a weak recovery from last year's nearly 16 per cent decline in the European car market.

Last year, Japanese car exports to the Union fell by 18.5 per cent to 980,000 units, and it achieved an 8.3 per cent share of a total market of 11.74m cars. However, a senior Commission negotiator said the EU expected Japan to ask for a change in its export ceiling if the market were to show a "substantial deviation" from forecasts.

Beijing promises to work on Pyongyang

Tony Walker reports on the visiting Japanese prime minister's concern over N Korean nuclear sites

China yesterday told Mr Morihiro Hosokawa, the visiting Japanese prime minister, it would continue initiatives to persuade North Korea to open its nuclear sites to inspection, in an effort to avoid an international crisis, but Beijing counselled patience.

Mr Hosokawa, in two hours of talks with Chinese prime minister Li Peng, spoke of Japan's "grave concern" over North Korea's reluctance to co-operate with the International Atomic Energy Agency, which has been rebuffed repeatedly in its attempts to gain access to Pyongyang's nuclear facilities.

"Japan is gravely concerned about the situation, and the possibility is increasing that the matter will be referred to the United Nations Security Council. I believe the international community is losing patience. The role of China is very, very important," said Mr Hosokawa.

Premier Li's undertaking, that China would try to persuade North Korea to accept IAEA inspections, was accompanied by the standard Chinese line that "the international community should take more time to settle the issue."

Mr Li added cryptically that it was important to "give North Korea what it wants." The Chinese official appeared to be suggesting that the US should accede to Pyongyang's demand for some form of diplomatic recognition.

TALKING IN BEIJING: Morihiro Hosokawa (left) and Li Peng

Indications that Beijing might be prepared to increase pressure on Pyongyang reflect deepening concern among the Chinese leaders over the possibility of the dispute spiralling out of control.

China is anxious to forestall a sanctions process in the security council, under which it might be obliged to take action against its ally and neighbour. China is North Korea's largest trading partner and one of its few international "friends".

But Beijing also recognises that international patience is wearing thin and that the prospect of UN-sponsored action is drawing nearer. For several months, Chinese officials have been urging the international community to avoid backing North Korea into a corner.

The Japanese are making no secret of their increasing alarm over developments on the Korean peninsula.

A spokesman for Mr Hosokawa told foreign reporters in Beijing on Saturday that Tokyo feared a nuclear North Korea would have a "domino effect" throughout Asia.

Japan has pledged to support the Nuclear Non-Proliferation Treaty (NPT) indefinitely, but the Japanese official said that, if North Korea joined the nuclear club, there was certain to be strong pressure domestically for Japan to do the same. "We have to defend ourselves," he declared.

Mr Hosokawa, on his first visit to China as prime minister, also raised the sensitive issue of Japan's wartime past. The visiting premier, in a speech to parliament in Tokyo last August, went further in apologising for Japanese brutaltiy than had any of his predecessors.

Mr Li was reported to have expressed satisfaction with those remarks.

Other issues raised by Mr Hosokawa included China's defence spending, which is to increase by more than 20 per cent, according to this year's budget. Japan wants more "transparency" in China's military spending, much of which takes place through budgetary items other than those marked as for defence.

Mr Li attributed China's defence budget increase to inflation and to the needs of a modernising a military which lagged behind other sectors.

The two sides reviewed Japan's aid programme to China, which amounts to \$7.7bn (£5.2bn)in cheap credits in the five years to 1995.

Mr Hosokawa, reflecting Japanese concern about the environmental threat posed by China's rapid industrialisation, expressed the hope that additional funds would be allocated to pollution-control.

The Japanese premier, who is to leave for Shanghai tomorrow, also met Chinese President Jiang Zemin yesterday and lunched with Mr Zhu Rongji, the vice-premier in charge of the economy.

Mr Warren Christopher, US secretary of state, yesterday voiced his hope that China would meet Washington's demands for improved human rights, while appearing to move away from the Clinton administration's linkage of trade and human rights in dealings with Beijing, writes Nancy Dunne in Washington.

Mr Christopher said on national television that China relied on the US market for about 40 per cent of its exports. This gave Washington substantial leverage.

But he also held out prospects that the US might move to separate, or "de-couple", its human rights and trade policies, particularly China's Most Favoured Nation (MFN) trade status. "For this year we are committed to using MFN," he said, adding: "There are many other tools we can use down the road if we get past this year." Mr Christopher said he was not talking of "the linking" so much as "broadening the relationship".

US clears way for Asian bank's capital increase

By George Graham in Honolulu

Negotiations on a capital increase of more than \$20bn (£13.4bn) for the Asian Development Bank could be completed in the next few months, after the US agreed to the injection of funds.

Finance ministers from the 18-nation Asia Pacific Economic Co-operation forum agreed in Honolulu this weekend on the need for the ADB to double its capital resources – an increase which would amount to about \$23bn.

"A consensus on doubling the capital is in the making," said Mr Hirohisa Fujii, Japan's finance minister, after the Apec meeting.

The Manila-based bank's lending for development projects in the Asia region is limited by its statutes to the total of its callable capital and reserves. It has already run close to that limit and, with new borrowing members such as the former Soviet republics of central Asia on board, it is expected to have to trim lending this year.

But the US has been in arrears on its current obligations to the ADB, and the Clinton administration, besides facing tight budget constraints, has only recently been convinced by the ADB's efforts to reform its operations to agree to the capital injection.

Mr Lloyd Bentsen, US Treasury secretary, said: "We look forward to the concluding negotiations for a general capital increase for the Asian Development Bank. It will mean more than \$20bn for this region, doubling the bank's resources."

The US and Japan are the largest shareholders in the ADB, with about 16 per cent each. Only a small percentage of the capital increase would have to be paid up, reducing the budgetary cost for each to an estimated \$40m.

The US also faces a larger payment for a \$40bn capital increase at the Inter-American Development Bank.

Apec moves: page 5

Complaints and sharp rise in disputes trigger government concern

China probes labour exploitation

By Tony Walker in Beijing

China is to investigate labour conditions in state and foreign enterprises in an attempt to counter complaints of exploitation and a sharp rise in disputes.

Many of the complaints have been directed at foreign employers, who are accused of disregarding minimum standards set by the state.

The move also reflects increasing government concern over labour unrest: restless workers in loss-making state enterprises facing closure are seen as a threat to public order.

The Labour Ministry said its inquiries would cover all urban and township enterprises, whether Chinese or foreign-funded. The survey would run from April 1 to June 30.

An official said inspectors would investigate whether enterprises had violated the law by using child labour or exploiting women. They would also check contracts, wages, working hours, insurance and welfare treatment.

Persistent criticism of foreign businessmen by representatives of the All China Federation of Trades Unions has revived images of exploitative bosses left over from China's colonial past. A union official said in an interview that some foreign employers violated workers' rights "randomly and openly".

"They prolong workers' hours, cut or deduct their wages arbitrarily, neglect safety and sanitary requirements and even humiliate workers," said the official. "One employer even locked his worker in a dog cage."

The Labour Ministry's investigation coincides with growing signs of militancy among workers, including a recent call by labour activists for an independent trade union. The activists, who said their aim was to protect workers from exploitation in the current economic boom, were detained by the authorities.

Since China opened to the outside world in the late 1970s, tens of thousands of enterprises with foreign involvement have been established, many of them benefiting from cheap labour.

The Beijing-based China Electronic News reported recently that there were more than 10,000 labour disputes last year. Many occurred in the Shenzen special economic zone, adjacent to Hong Kong, which has attracted a flood of peasant labour to work in small processing concerns.

The All China Federation of Trades Unions began a drive last month to double union membership this year in foreign-run factories and joint ventures. Less than 30 per cent of companies in which foreigners are involved are unionised.

China's trade union law entitles unions to a seat on a company's board of directors.

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Public posturing hides private diplomacy between leaders

Israeli team in Tunis to woo PLO

By David Horovitz in Jerusalem

A team of senior Israeli officials flew to Tunis yesterday seeking to woo the Palestine Liberation Organisation back to the negotiating table.

Before their departure the team announced their acceptance of last Friday's UN Security Council Resolution 904, which called for the deployment of a temporary international force in the occupied territories to protect Palestinians.

Mr Warren Christopher, US secretary of state, said after the vote – which condemned the February 25 massacre by a Jewish settler of 30 Palestinians in Hebron's Cave of the Patriarchs – that he expected full Israeli-PLO peace talks to resume at an early stage.

There has been talk of a meeting this week between Mr Yassir Arafat, PLO chairman, and Mr Shimon Peres, the Israeli foreign minister, to announce formally the resumption of negotiations. But neither Israeli nor PLO officials sounded completely confident yesterday.

Mr Uri Savir, director-general of the Israeli Foreign Ministry, said as he left for Tunis that while he hoped to pave the way for a resumption of talks it would be foolish to predict a date.

He confirmed that Israel would allow the deployment of a temporary and unarmed international observer force in the West Bank. This would possibly be in the shape of an increased Red Cross presence, with a Red Cross office in Hebron to deal with Palestinian complaints of human rights abuses. Israel is also prepared to see a Palestinian police force established in Hebron, provided it is answerable to the Israeli army.

But as for the possibility of evacuating Jewish settlers from the heart of Hebron, Mr Savir was adamant this was an issue for the Israeli government. "We won't open any debate with them [the PLO] on that issue," he said.

Mr Nabil Sha'ath, the PLO's chief peace negotiator, said he regarded the issue of radical settlers as of central importance. The Tunis talks would focus, he said, "on the measures to be taken by the Israeli government about the settlers' status in the occupied Palestinian land, especially Hebron".

Despite the public posturing, the two sides have engaged in considerable private diplomacy. Mr Yitzhak Rabin, Israel's prime minister, spoke to Mr Arafat several times by telephone over the weekend. He declined yesterday to brief his cabinet on the substance of some of the measures he was willing to take to get the peace talks going again as he feared leaks.

Meanwhile, Israeli troops yesterday shot and wounded nine Palestinians, and stone-throwers injured an Israeli motorist, during clashes in the occupied West Bank and Gaza Strip.

The violence, together with frustration over the continued Israeli closure of the territories which is keeping tens of thousands of Palestinians away from jobs inside Israel, has focused both Mr Rabin and Mr Arafat on the need to wrap-up the "Gaza-and-Jericho-first" autonomy deal.

Mr Peres promised at the weekend that the final deal could be sewn up in three weeks, and that the Israeli army could complete its pullout from Gaza and Jericho a month after that.

If an accelerated timetable does not prove sufficiently attractive to bring Mr Arafat back to the talks, Mr Dennis Ross the US peace talks co-ordinator who is expected in Tunis today, will remind the PLO chairman that Syria, Jordan and Lebanon have agreed, in the wake of the UN resolution, to resume negotiations with Israel next month.

Mr Nelson Mandela, ANC leader, is thronged by orphans during a campaign tour in Cape Town yesterday. However, at an election rally in Manenberg Mr Mandela's car was stoned by supporters of South African President F.W. de Klerk's National party, Reuter reports. He was not hurt. Marshalls carrying rifles battled to clear a path through the crowd of demonstrators.

Natal fans political fires in run-up to S African poll

Patti Waldmeir on the regional events undermining peace hopes

It is easy to predict that next month's all-race elections in South Africa's Natal province will not be free and fair, whatever is done in the next five weeks to make it so. Those who live in areas controlled by the Inkatha Freedom party will not dare to vote, because the IFP will be boycotting the poll; those who live in African National Congress areas will not dare to stay at home, because the ANC will want them to vote.

The only remaining question is how many people will die before polling ends and, perhaps more importantly, how many will opt for violent resistance to the new government once it takes power.

Several events last week helped to stoke political fires in Natal.

ANC officials, including President Nelson Mandela, tried more or less openly to incite popular rebellion in the KwaZulu homeland. Chief Mangosuthu Buthelezi, the KwaZulu leader, replied with belligerence and aggression, and sabotaged a planned peace meeting between Mr Mandela and the Zulu King Goodwill Zwelethini by inviting armed Zulu warriors to attend.

The Independent Electoral Commission said it would soon take measures to enforce free political activity in Natal, putting it on a collision course with Inkatha, which is preventing voter education and campaigning in many areas.

Then, on Friday, the prestigious Goldstone Commission of inquiry released details of how some of the most senior men in the South African police allegedly manufactured homemade guns and gave them to Inkatha. On the same day, King Goodwill called on thousands of Zulu warriors – many of them carrying firearms – to boycott the elections and defend the "sovereignty" of the Zulu nation "at all costs".

So after months of uncertainty, some clarity seems to be emerging. Barring a last-minute miracle, Inkatha will not participate in the April poll and the Zulu king could take leave of reality entirely and declare KwaZulu independent from South Africa.

Nonetheless, international mediation of the country's constitutional dispute will go ahead – indeed, Inkatha negotiators say they expect to announce the names of mediators today. But the results of mediation will be implemented only after the poll.

According to the best-case scenario, consensus will be reached on constitutional changes and the new constitution, to be written by an elected constituent assembly, will be changed to reflect it. Then Inkatha would prepare to fight the second elections (in 1999) from a base of extraparliamentary opposition.

But Mr Philip Powell, commander of the Mlaba training camp near the KwaZulu capital of Ulundi where some 5,000 Inkatha members have been given military training to form "self-defence units", makes clear that Inkatha's strategy will be to render Natal ungovernable, just as the ANC made South Africa ungovernable in the 1980s.

"The ANC has proved by mass action that you can make government impossible. We've learned lots of valuable lessons from what they have done", says the former police officer.

He says Inkatha cannot resist if the Electoral Commission uses the army to install polling booths and enforce voter education. "We don't even entertain the possibility of fighting the South African Defence Force. We have no army, no armoured vehicles, no helicopters." But such a move would galvanise support behind Chief Buthelezi, and provide recruits for a "low intensity guerrilla war against the [new] government of national unity".

The Vietnam war is a case in point, he says. "That war was won by people with bicycles and homemade hand grenades." Mr Powell concedes that no such war is likely in South Africa. After the decision of right-wing whites to take part in elections, fighting would be limited to Natal and Inkatha would lack the Vietcong's powerful backers.

But if a new ANC government seeks to crush Inkatha, or if the ANC-dominated Transitional Executive Council (which holds the true reins of power in the run-up to elections) chooses to impose elections by force, much bloodshed could result.

War-weakened Somalia hit by cholera epidemic

By Leslie Crawford, Africa Correspondent

A cholera epidemic is inflicting further suffering on Somalia, struggling to recover from famine and civil war. More than 1,700 cases, and 100 deaths, have been reported since the first outbreak of the disease in the northern port of Bossasso last month.

The Qaraan hospital in the capital, Mogadishu, has run out of beds and floor space, but is admitting more than 70 new cholera patients a day. Scores of sufferers are being treated outdoors, lying on rough blankets and attached to saline drips hanging from branches of acacia trees.

Dr Osman Dufle, who says the number of cases is rising exponentially, has begged the departing US military for tents and camp beds, as the rainy season is due to begin later this month. "The epidemic," he warns, "will continue to rage out of control unless UN agencies help us to chlorinate wells and improve the sanitation of this city."

'The epidemic will continue to rage out of control unless UN agencies help'

Relief workers say cholera was a disaster waiting to happen. Big towns such as Mogadishu and Kismayo have no piped water or sewerage systems: both were destroyed during the civil war. Thousands of displaced people still live in overcrowded camps. Rubbish is left to rot on the streets and drinking water comes from a multiplicity of shallow wells, most contaminated by sewage.

The cholera epidemic also points to the failure of the UN Operation in Somalia (Unosom) to deliver humanitarian assistance. Most of the UN's resources have been consumed in the failed military attempt to overpower Mogadishu's warring militias.

The UN has also spent more than \$80m (£54.7m) building a fortified compound for 1,000 UN civilian and military staff. The sewerage system alone cost \$9m.

Outside the compound walls, however, human and animal waste – the breeding ground for cholera – lie in stagnant pools. With no government and no social services, Somalia is ill-equipped to cope with a national health emergency of this kind.

The few Somali doctors, like Dr Dufle, who did not flee during the war have worked without salaries for the past four years.

They depend on non-government organisations such as Médecins Sans Frontières for food and medical supplies. "Although we hoped Unosom or the World Health Organisation would pay our salaries, no help has been forthcoming," says Dr Dufle.

The epidemic has struck as the west is disengaging its troops from Somalia, following the deaths of UN peacekeepers and frustration over the unwillingness of rival Somali factions to reach a political settlement.

The last US troops will leave Mogadishu this week. The Italian, French, Belgian and German contingents are also leaving or have left.

The remaining UN peacekeepers, mostly Indians and Pakistanis, are unsure of their role and fear a renewed outbreak of fighting.

Uncertainty also surrounds the future of the UN operation, the mandate of which expires in May.

● Two journalists working for Italian TV were gunned down in a drive-by shooting in Mogadishu, the Somali capital, yesterday, Reuter reports.

The two were shot dead near the old Italian embassy. Their corpses were airlifted by helicopter, apparently to a ship covering the withdrawal of Italian troops from Somalia.

Compromise avoids Socialist rift ahead of European elections

González deal on top party jobs

González: Internal tension

By David White in Madrid

Mr Felipe González , the Spanish prime minister, was forced yesterday to accept a compromise with hardliners in the allocation of top Socialist party posts.

The deal, reached after long hours of bargaining in the party's three-day conference here, avoided an open rift which threatened serious damage to the party ahead of European and regional elections in June.

Mr Alfonso Guerra, leader of the hardline faction, succeeded in placing his most senior allies in top posts, even though his overall support within the party's executive committee was reduced from almost half to a quarter.

Mr Guerra himself kept his job as party number two under Mr González, after threatening to pull out if the leadership were not "balanced". Against opposition by senior moderates in the party, he also managed to keep a prominent ally, Mr José Maria Benegas, in the top leadership, although not in his previous job running the party's organisation.

That job finally went to a relatively obscure politician from Valencia, Mr Cipriá Ciscar, with Mr Benegas taking over the party's political and institutional relations.

The committee proposed by Mr González was approved by 89 per cent of delegates at the conference, the party's first since 1990. All-night negotiations, which broke off at dawn yesterday, were resumed yesterday, delaying the end of the conference.

Mr González had admitted earlier in the conference that there was "considerable internal tension" in party ranks.

He has brought two of his top ministers, deputy prime minister Mr Narcís Serra and foreign minister Mr Javier Solana, into the executive committee. That was enlarged to make room for a larger number of women, who now make up a third.

Infighting over the top posts obscured the policy debate, in which the government's free-market and budget-cutting positions had an easy ride. The party gave top priority to job-creation, backed a "rigorous choice" in government spending and a curb on fraud, and pledged itself to "create conditions in which private initiative can act more effectively".

Black list may help stamp out EU's agriculture fraud

Deborah Hargreaves finds some countries more willing than others to crack down

Mr Rene Steichen, European agriculture commissioner, says he will soon propose a "black list" of people and companies which have fraudulently got hold of European Union farm funds.

Mr Steichen's plan follows a report last month by the European Court of Auditors, the EU's financial watchdog, which was highly critical of the Commission and member countries for not doing enough to stamp out fraud in the Ecu36bn (£27.2bn) agriculture budget.

The EU could be losing over Ecu200m a year from agricultural fraud, according to some estimates. But the complexities of the Common Agricultural Policy also mean companies can manipulate the system quite legally.

"It is such a labyrinthine muddle of regulations that anyone with a keen mind can quite easily work out how to exploit the system legally or illegally with little risk," said Mr Brian Gardner, director of EPA Associates, an agriculture consultancy. The complicated regulations governing the CAP also make it difficult to track down fraud.

The court's report cited 5,775 reported cases of fraud and irregularities uncovered by the Commission since 1972. Those cases had cost the union Ecu725m, but the Commission and member countries had managed to recover only Ecu77.7m of the funds lost.

The Commission has to rely largely on member countries to police abuses of the system and some are more diligent than others.

Farmers themselves receive about a third of the agricultural budget directly. The rest of the money is spent on buying up and disposing of EU food mountains with funds being paid to exporting companies and other operators.

The auditors point to the payment of export refunds, which subsidise the sale of surplus produce outside the EU, as an area where exploitation has been rife. Export subsidies account for around a third of agricultural spending.

Some of the abuse is caused by negligence on the part of government authorities, but some companies are plainly profiteering from agricultural pay-outs.

The Commission is reluctant to release names of companies or individuals involved in fraud because of pending civil actions in member countries.

But investigations conducted by the Commission show the scope for abuse. For example, Commission officials investigating a tip-off from British government inspectors found that high quality beef was on sale in the UK and Italy at prices much lower than the market rate.

The fight against massive budget fraud will be on the agenda when European Union finance ministers meet in Brussels today, Reuters quotes diplomats in Brussels.

The meeting will discuss a report on the EU's 1992 budget from the Luxembourg-based Court of Auditors which calculates that some Ecu170m was wasted in irregular outlays and lost receipts that year.

Britain, which has pinned its flag to the fight against fraud in the run-up to the European Parliament elections in June, is pushing for fraud against the EU budget to be treated as a criminal offence as is fraud against national budgets.

The meeting will also discuss the tricky issue of setting a time limit on opening up access to the EU budget's emergency monetary reserve to include agri-monetary costs.

These sales involved beef that had been released from EU intervention stores which buy up surplus produce. It was destined for export as food aid to Russia.

However, some exporters had substituted lower quality meat to send to Moscow and were selling off the high quality beef at knock-down prices.

A Commission official points out that the mechanisms for recovering money lost in cases like this are complex and can take a long time to pursue. But a "black list" of offenders should crack down on fraud in future.

"Anyone on the 'black list' would not be eligible to apply for EU aid for several years – on a sliding scale depending on the degree of error or fraud," a Commission spokesman said. Mr Steichen has outlined his proposals to a budgetary committee of the European Parliament, but he will need the approval of farm ministers before a list can be drawn up.

The Commission is responsible for investigating fraud, but member countries generally administer punishments and recover monies lost. Procedures for doing this can vary widely from country to country.

The court of auditors stressed that the process of tracking down offenders is further complicated by the fact that member countries do not even have a common definition of what constitutes fraud.

The Commission has stepped up its fight against farm fraud and last year sent out 50 missions of its inspectors to look into deception involving Ecu400m.

Irregularities often arise because of a lack of adequate records kept by member governments. Commission examiners made 150 applications to check member countries' own records last year with the result that some big revisions were made. In Italy, inspectors found 250,000 tonnes of durum wheat missing from EU stores.

One major investigation recently involved the inspection of olive oil stocks in Italy which had been purchased by that country's intervention board.

However, the Commission inspectors found that one-third of the stocks were not of a high enough quality to qualify for intervention. Of the remainder, 60 per cent was of a lower quality than the Commission had already paid some Ecu35m for.

Companies can often exploit loopholes in regulations and lack of adequate monitoring to make a profit from EU business. But some operators go to elaborate lengths to defraud the EU.

The court's report picks out the payment of export refunds as a particular problem area because the complexity of the system for claiming subsidies leaves it open to abuse.

The auditors' report tells the tale of 10,000 tonnes of skimmed milk powder destined for export to Algeria. The powder was produced in various member countries and loaded on to seven ships in the Netherlands. The ships, however, never left the German port of Emden but the exporter, Dutch company with subsidiaries in the UK and Switzerland, claimed Ecu15m of export subsidies.

It proved difficult to pursue the perpetrators of the fraud because applications for licences and subsidies had been made in several member countries.

That is the problem for the Commission in stepping up its fight against fraud – it needs co-operation from member governments and some are more willing than others to crack down.

Fate of Bulgaria loans in balance

By Virginia Marsh in Sofia

The future of a $600m International Monetary Fund and World Bank loan package, aimed to help Bulgaria settle its $9.3bn debt to the London Club of commercial banks, may be settled at a meeting of European Union finance ministers in Brussels today.

The ministers are due to consider Bulgaria's request for $330m in balance of payments support for 1994 from the G24 group of countries.

The positive response would enable the IMF to go ahead with new stand-by loans and funds designed to help the reform worth $400m. It would also unlock $200m in linked World Bank loans.

The IMF cannot agree the loan unless Bulgaria has the necessary financial support needed to implement the economic reform programme it agreed with the Fund last December.

Foreign financing is needed if Bulgaria is to meet its June 30 deadline to reschedule its $9.3bn foreign commercial debt. Under a framework agreement reached last November, the London Club banks, chaired by Deutsche Bank, agreed to halve the debt. In return, Bulgaria said it would pay $550m immediately if it could get IMF and World Bank backing.

Bulgarian officials say it is essential that G24 should agree the funding without delay because of the severe devaluation of the leva.

"Everything will fall apart if we do not get support from the G24. Otherwise, we will have to renegotiate a whole new package with the IMF and the World Bank, which could take months," Mr Dimitar Kostov, deputy finance minister, said in an interview.

Kurds riot as Germans ban rally

About 6,000 militant Kurds went on the rampage over the weekend in the southern German town of Augsburg and on a nearby motorway, after authorities had barred them from holding a rally which had been declared illegal, police said yesterday, Reuter reports from Augsburg.

They said 85 police officers and two firemen were injured in the demonstrations at Augsburg and in Berlin. About 30 Kurds were arrested.

At Wiesbaden, Kurdish demonstrators poured petrol on a train carriage and set it alight, police said. Officers had earlier prevented the Kurds staging a rally in Frankfurt, after which about 100 militants took the train to Wiesbaden.

Nearly 50 of the officers were injured in the Augsburg disturbances, which broke out on Saturday after police had stopped the Kurds who were travelling in several buses outside the Bavarian city.

The demonstrators, supporters of the banned Kurdistan Worker's party (PKK), responded by commandeering the buses and using them to block the motorway. They also poured fuel on the asphalt and set it alight to block a motorway exit. Other Kurds blocked intersections at Augsburg and threw firebombs, a police spokesman said.

He said Kurds tried to douse two officers with petrol and set them on fire. Another officer was knocked down and his gun was taken. Police used a water cannon to clear the motorway after nine hours.

In Berlin, about 800 Kurds demonstrated on Saturday night against Turkish policies. The PKK has been fighting since 1984 for an independent Kurdish homeland in south-eastern Turkey. Germany banned the PKK in November.

French right claims success in local polls

By Alice Rawsthorn in Paris

Mr Edouard Balladur, the French prime minister, was last night anxiously awaiting the final outcome of the first round of voting in France's local council elections after exit polls suggested that his centre-right coalition had won a majority of the votes.

The centre-right won 44.3 per cent of the votes, according to a BVA poll for France Television, leaving the left, which triumphed when the same seats were contested six years ago, with 42.1 per cent. A Sofres poll for the TF1 television station gave the government parties a larger lead with 46 per cent, against 40 per cent for the socialists and communists.

Yesterday's poll, which encompassed 2,018 of France's 4,033 local council seats, was the first significant test of confidence in Mr Balladur's centre-right government since its election in March last year. It has come at a critical time for Mr Balladur, whose popularity has slipped recently on concern about high unemployment and a wave of violent strikes and demonstrations.

Mr Balladur, whose capable manner made him one of Europe's most popular politicians during his first months in office, has seen his approval rating fall from 55 per cent to around 50 per cent since the end of last year. The prime minister, tipped as a contender for the centre-right candidacy in next spring's presidential elections, desperately needs a vote of confidence in the local vote which will be concluded with a second round of voting next Sunday.

Mr Charles Pasqua, the hard-line interior minister who was a candidate in yesterday's vote, declared the result a "success for the government" pointing out that its share of the vote was "slightly higher" than in the 1988 local elections and more than in the 1993 legislative elections.

However Mr Michel Rocard, the socialist leader, was swift to highlight the narrowness of the government's lead. Mr Jean-Marie Le Pen, head of the extreme-right wing National Front, described his party's 10 per cent of the votes as "a very good result".

Yesterday's vote included the local council seats which were last contested in 1988. France swung to the left during that year with the socialists triumphing in the parliamentary elections and winning an extra 89 seats in the local vote.

The left has since lost support culminating in its crushing defeat in last spring's parliamentary elections. Opinion polls last week predicted that the Balladur centre-right coalition, which already controls 75 of France's 95 *conseils générals* or general councils, would win up to 200 extra seats after next Sunday's second round.

The polls also forecast that the centre right eventually emerge with majorities of another eight *conseils généraux* thereby bringing the total under its control to 83 regions.

President François Mitterrand (left) leaves the polling bureau yesterday with his wife's dog

Picture: Reuter

UN convoy reaches 20,000 people trapped in Moslem-held enclave since autumn

Relief of Maglaj bolsters Moscow's role

By Laura Silber in Belgrade and Judy Dempsey in London

Moscow's importance in the Yugoslav peace process was boosted yesterday when Bosnian Serb forces allowed a United Nations aid convoy access to the besieged Moslem-held enclave of Maglaj, in north-central Bosnia.

A UN official said the Serbs had abandoned their checkpoints on the road to the town as the convoy, carrying 80 tons of food, reached Maglaj.

In a letter sent to Mr Sergio de Mello, UN civil affairs officer, the leader of the Bosnian Serbs, Mr Radovan Karadzic, said he hoped that the "ordered ceasefire will succeed" in Maglaj. His remarks followed last week's warning by Mr Vitaly Churkin, Russia's special envoy to the former Yugoslavia, that Bosnian Serbs had to take a more "constructive approach" in the peace process led by Washington and Moscow.

About 20,000 people had been trapped in Maglaj by joint Serb and Croat offensives since last autumn. Despite this, the Bosnian government/Moslem forces had held on to the city, a strategic point in any eventual linkage of this part of the republic with other territory held by Bosnian-government troops.

Access by the UN convoy to Maglaj also follows on from Russia's broader attempts to persuade President Slobodan Milosevic of Serbia to decide when, and how, he is prepared to sue for peace, which would lead to an overall regional settlement.

As part of this process, Mr Churkin is expected to hold talks tomorrow with Croatian officials and Serb leaders from the self-styled republic of Krajina, in south-western Croatia.

In the talks in the Russian embassy in Zagreb, the Croatian capital, Mr Churkin wants to persuade Croatian leaders to grant wide autonomy to Serbs in Croatia. In return, Serbia might be persuaded to sign a peace treaty with Croatia.

That treaty would involve Serbia giving up claims to Krajina in return for Zagreb gaining complete control over the south-western and central part of Croatia.

UN officials said at the weekend that any process towards attaining a peace treaty between Croatia and Serbia would involve the US and Germany applying pressure on Croatia to make substantial political concessions, and perhaps some territorial ones.

But they added that the federal treaty between Bosnian Croat and Bosnian Moslem forces was holding. Several hundred prisoners of war and detainees were exchanged at the weekend following the signing of the treaty in Washington last Friday.

Meanwhile, in Sarajevo Mr Karadzic pledged to respect the ceasefire around the Bosnian capital.

The ceasefire has held since February 10 following Nato's ultimatum to deploy air strikes against Serb-held positions overlooking the city.

Yesterday at least 8,000 people attended a football match between a Sarajevo club and a UN team.

General Sir Michael Rose, the British commander of UN troops in Bosnia, told reporters that the match showed that normalisation was "an irreversible process".

EUROPEAN PRESS REVIEW

Bonn

Not a newspaper in Germany, however small, has been able to resist commenting on yet another hiatus in relations between Bonn and Paris.

Mr Klaus Kinkel, the German foreign minister, had obviously ruffled some feathers during the negotiations to get Norway into the European Union last week.

The **Berliner Zeitung** dismissed Mr Kinkel's playground bully approach to international diplomacy, while the **General Anzeiger** in Bonn warned the foreign minister not to go round smashing "foreign policy china".

The **Wiesbadener Kurier** even suggested that Mr Kinkel's fuse was shorter than usual because his party, the Free Democrats, had performed so miserably in the Lower Saxony elections last Sunday. Feathers had obviously been so ruffled that Mr François Scheer, the ambassador in Bonn, decided to share his concerns with a group of German correspondents.

He told journalists the two neighbours should be consulting more often and that Mr Kinkel had been a bit rough with the Spaniards who were demanding more fish in return for Norway's accession. The **Frankfurter Allgemeine Zeitung**, Germany's most august daily newspaper, then caused waves by quoting Mr Scheer and on Thursday morning the ambassador was summoned to explain himself.

Among close friends ambassadors are rarely summoned as the **Deutsche Tagespost** at Würzburg pointed out: "That is a well-tried method when it comes to dealing with banana republics. It is unacceptable as a means of exchanging views between France and Germany."

But defending "German interests and goals" often called for a more forthright manner as the **Allgemeine Zeitung** at Mainz wrote: "For ages Germany was accused of behaving like a political dwarf. Is it not normal that it should be just as tenacious as other countries and should not constantly have the heavy burden of the past in its sights." As on previous occasions, the strain in the Bonn-Paris axis is explained by uncertainties surrounding the government's move to Berlin and its implications for Germany's foreign policy.

The **Leipziger Volkszeitung**, however, is convinced that "with the exception of European separatists or Republicans there is the broadest possible consensus in this country about the continued expansion of Europe. Since this is undisputable, there is every reason to forcefully rebut charges that German politicians are apparently fickle or too brash when it comes to discussing Europe."

Overshadowing last week's diplomatic tussle are a series of celebrations to mark the collapse of Nazi Germany 50 years ago. "Unavoidably there are renewed complaints about some sort of new German danger," wrote the **Bild Zeitung**, Germany's biggest-selling tabloid. "The momentary tensions between Bonn and Paris are a symptom of this nervousness. That's why Chancellor Kohl and Foreign Minister Kinkel are required to use all the sensitivity they can muster to persuade our French neighbours that Germany will continue to be an equally dependable but also equally entitled partner."

The biggest of the anniversary celebrations will take place in July in Normandy, an event Chancellor Helmut Kohl long hoped he would be able to attend because it would do him a world of good to be seen rubbing shoulders at such a European event.

Some German newspapers, including the **Berliner Morgenpost**, take a rather different view: "You cannot simply change the significance of historical events," it wrote. "The invasion is a matter for the then victors, not something for Germany which lost. Were England and Germany to commemorate Waterloo, they would hardly invite France."

How Bill and Hillary bit back and raised a healthy laugh

Jurek Martin enjoyed a video coup by the First Couple at a white-tie night out for the media grand panjandrums of Washington

It is just possible that there are those in the darkest corners of America, where the light of television never shines, who have never heard of Harry and Louise.

Such ignorance will no longer be possible. The actors who play H & L in TV commercials paid for by the US insurance industry – an earnest middle-class couple who sit in their kitchen agonising over the costs of the Clinton healthcare plan, often for as long as the full minute allowed – have been usurped. They now stand revealed as Bill and Hillary.

It could have been a tricky Saturday night live for the president and the first lady. They were guests of honour of the Gridiron Club, a 109-year-old Washington institution of media grand panjandrums. Its only activity is a white-tie annual dinner at which politicians are roasted alive - all off-the-record, of course, but relayed like lightning around the country (well, inside the District of Columbia Beltway.)

The Clintons hardly needed to dress up to be skewered by the media. The Whitewater affair, stemming from the Clintons' financial dealings in Arkansas in the 1980s, has them on the rack and their resentment is sometimes palpable. On Saturday, there was a frisson of expectation that the First Couple, in the lion's den, might let it all hang out.

Enter their inspired *coup de video*. The president commanded his audience to turn to the large screen at one end of the hotel ballroom. There, sitting demurely on a sofa, was Louise (a.k.a. Hillary) leafing through a vast tome. She was joined by a casually dressed, coffee cup-carrying Harry (Bill) and they agonised.

"Look," she said, "it says here on page 7,325 [or some such number] that we may actually get ill." Big letters on the screen: "Under the Clinton health plan you may actually get ill."

They agonised more: "It says here on page 26,423 we may actually die." More big letters. The sign-off had them rolling in the aisles: "Brought to you by the scare-your-pants off coalition."

Yesterday, this private screening was all over the commercial networks. It bore the fingerprints of Harry Thomason, the Hollywood TV producer and FoB (Friend of Bill) who last week aired a spoof commercial killing off the insurance industry's Harry and Louise – she dies because her health insurance has run out, of course.

Truth to tell, the real star turn of the evening was the reputed wooden man, Vice-President Al Gore. He was wheeled to the microphone on a delivery dolley, where he lay stiff as a board, and moved hardly a muscle beyond his lips during a very funny speech – "I'm an inspiration to the thousands of Americans suffering from Dutch elm disease."

The president got in a good crack at the young Republican Governor Bill Weld of Massachusetts, an ambitious patrician: "His ancestors landed at Plymouth Rock in the Mayflower. Mine drove into Arkansas in a Plymouth truck and worked for Mayflower van lines."

Does an evening of laughter make a difference? Probably not, in the long term, given the media feeding frenzy over Whitewater, but it made a welcome break.

And we have seen the end of Harry and Louise, for which small mercy, great thanks.

BIS may have Brazil debt role

By Angus Foster in São Paulo

The steering committee of creditor banks in Brazil's planned \$52bn (£35bn) debt restructuring may ask the Basle-based Bank for International Settlements to act as collateral agent for the deal.

This follows the decision last week of the International Monetary Fund not to grant Brazil a stand-by accord. The US Federal Reserve, which was due to act as collateral agent if the IMF accord had been in place, is no longer willing to do so.

The steering committee is talking to the BIS about the details of the operation. Sixty-six per cent of creditor banks also need to waive the requirement for the Federal Reserve's involvement in the deal, due to be completed on April 15.

The involvement of an institution other than the Fed would not be unprecedented. The Bank of England was collateral agent in Argentina's debt restructuring rather than the Federal Reserve.

Banks are also being asked to waive the requirement that a stand-by agreement with the IMF should precede the deal.

The lack of an IMF accord further complicates the bank agreement since it means the US Treasury will be unwilling to issue special zero-coupon bonds to act as collateral in the restructuring. But Brazil has said it has executed arrangements that will ensure the collateral is in place in time.

Spielberg set for Oscar

By Martin Dickson in New York

Tonight promises to be the night that Steven Spielberg, financially the most successful director in film industry history, receives the artistic recognition that Hollywood has long denied him.

Spielberg, the director of the hit films E.T. and Jurassic Park, is the strong favourite to win the best-director award at that annual rite of prize-giving and mutual admiration, the Oscar ceremony. The awards are voted on by the 4,755 leading members of the US film industry who belong to the Academy of Motion Picture Arts and Sciences.

The award would be for Schindler's List, a black-and-white film about the Nazi holocaust against the Jews of Europe, which has been nominated for 12 Oscars and has won critical acclaim for its sensitive handling of the subject.

His film's main challenger in many of the Oscar categories could be The Piano, a highly original art-house film by the New Zealand director Jane Campion, which deals with 19th century eroticism in the antipodes. Its star, the American Holly Hunter, is widely tipped for the best actress award.

A fistful of awards would be a big boost for the studio which backed Schindler's List - Universal, part of the MCA group bought by Japan's Matsushita electronics group. Universal has had a mixed box office record in recent years, though it had a huge hit last year with Spielberg's dinosaur movie, Jurassic Park.

Matsushita is said to be seeking other outside investors in MCA. Its Japanese rival, Sony, has acknowledged that it is considering bringing in new investor to its Columbia studios, which also have a mixed record.

Oscar rewards for The Piano would be a fillip to Walt Disney, which agreed last May to buy the film's distributor, a small independent, Miramax.

After the mutual back-slapping of Oscar night, Hollywood's financial brains will return to focus on the film industry's next big hurdle – its release programme for the important summer season in America.

Analysts are forecasting a summer of record US box office returns, thanks to a group of potentially strong selling films, including a new animated feature from Disney called the Lion King.

None of them, however, is likely to match the success of Jurassic Park last summer.

AWARDS NIGHT: Holly Hunter (right), star of The Piano, is hugged by British actress Emma Thompson in Los Angeles Reuter

Fledgling Apec begins to take wary steps towards consensus

By George Graham in Honolulu

Finance ministers from the 18 countries of the Asia Pacific Economic Co-operation forum so enjoyed their first ever meeting in Hawaii that they agreed to gather again next year in Indonesia.

That might not seem a large achievement after a day and a half of talks, but it represents a significant step forward for the fledgling Apec, many of whose members remain wary of putting sinew into their informal links.

"The general view is certainly not to institutionalise this meeting but, if we have any specific and substantive issues to discuss, we should do so," said Mr Anwar bin Ibrahim, deputy prime minister and finance minister of Malaysia, Apec's most reluctant member. Mr Anwar added that there was no commitment to further meetings beyond 1995.

Even so, the weekend talks at a beachfront hotel on the outskirts of Honolulu yielded an ambitious programme of work on regional capital flows, infrastructure financing and banking supervision. Ministers also agreed to send their deputies and central bank officials to a further meeting at the end of this year to discuss macro-economic issues.

In a joint statement at the end of the meeting, they agreed on the need for:

- sustained low-inflation growth.
- increasing cross-border flows of goods, services and investment.
- reliance on the private sector as the main engine of growth.
- further development of capital markets in the region.
- improved financing mechanisms for the estimated \$1,000bn (£669bn) of infrastructure projects the region may need over the next decade.

Mellowed into conviviality by the bright yellow trousers and pink plaid shirt of their host, Mr Lloyd Bentsen, US treasury secretary, the other Apec ministers deliberately avoided almost all points of bilateral friction, as well as any temptation to force concrete commitments from the discussion.

The weekend talks at a beachfront hotel yielded an ambitious programme of work on regional capital flows, infrastructure financing and banking supervision

"This meeting was about co-operation, consultation, consensus. There are more Cs this meeting was not about, like coercion, co-ordination and, I would add, coalition-building," said Mr Lawrence Summers, US Treasury under-secretary for international affairs.

If Apec is to develop towards the "new Pacific community", sought by President Bill Clinton at a meeting of the region's leaders in Seattle last year, it may be forced to confront some of these points of friction. These include immediate rows, such as the US-Japan trade dispute, US pressure on several south-east Asian countries to open their financial service markets, and its impending clash with China over human rights and the renewal of China's most-favoured nation trading privileges.

They also include the possible tension between the broader Apec grouping, encompassing countries on both sides of the Pacific, and narrower groups such as the Association of South-East Asian Nations in the east and the North American Free Trade Agreement in the western hemisphere.

Mr Eduardo Aninat, Chilean finance minister, who took part in the meeting although his country will not formally join Apec until the second half of the year, and whose government wishes to become the next member of Nafta, argued that this tension can be overcome, "as long as both organisations do not represent closed blocs, closed regionalism."

Some of the problems that might arise, however, could be made Apec business, such as energy supply problems in the region, the possible burst of China's bubble economy, and the potential for damaging corporate bankruptcies in the fast-growing stock markets of the region.

"If you are in farming and you have a flood, you don't just lose your crop, you lose your neighbour's crop with it. What happens in one of these countries spills over into the rest," Mr Bentsen said.

"What we are talking about is the creation of infrastructure in yet another area – financial policy infrastructure," said Professor David McClain of the University of Hawaii.

Mr Paul Martin, finance minister of Canada, cautioned against rushing Apec's evolution: "What is very clear is people want to see Apec develop under its own steam, not be directed. Apec is an agglomeration of countries; it has to develop at its own pace."

The greatest threat, some observers feel, could come from the US eagerness to press ahead. Apec will require "a degree of patience that may tax the American mentality, and a degree of sensitivity and cultural awareness in a region where, it seems to me, we have often underestimated the importance of nationalism," warned Mr Michel Oksenberg, president of the East-West Center, a government-funded research institute based in Hawaii.

VOCATIONAL QUALIFICATIONS

Radical overhaul for public exams

By John Authers

UK employers will be allowed unprecedented influence in compulsory schooling under proposals for new vocational qualifications announced by Sir Ron Dearing, the government's chief adviser on the curriculum and tests.

In the most radical overhaul of public examinations for schools in England and Wales for a decade, 14-year-olds will be allowed to spend one day a week studying for qualifications in subjects such as health services, leisure and tourism, or manufacturing.

The new qualification, which is as yet unnamed, would take up 20 per cent of school time over two years and would be equivalent to two GCSEs.

It would be voluntary, but the aim is to encourage children who are less interested in academic subjects to gain skills.

Employers, education-business partnerships and Training and Enterprise Councils are being consulted, both about the content of exams, and over funding for them.

The National Council for Vocational Qualifications, an employment department quango, will have responsibility for vetting and administering the qualification.

Sir Ron told the Secondary Heads Association's annual conference in Bournemouth at the weekend that he hoped the new qualification could be offered from 1996.

To prolonged applause from head teachers at the conference, he said: "I am all too conscious of the common tendency to consider the academic as first rate and the practical applications of knowledge and understanding as second rate.

"It is a tragedy that we have the value structures we do, and I rail against them," he said.

Under Sir Ron's plans, which have already been approved in principle by the government's education department, five vocational subjects would initially be on offer to pupils: manufacturing, art and design, health and social care, leisure and tourism, and business and finance.

These directly mirror the first subjects introduced for the new general national vocational qualifications to be taken alongside A-levels by 18-year-olds.

After Sir Ron presents a progress report to the education department in the next few weeks, he and the NCVQ will jointly consult schools during the summer term.

Row over post sell-off rail code

By Charles Batchelor, Transport Correspondent

Potential train operators have attacked Railtrack, the company set up to take over British Rail's track and signalling after privatisation, for abusing what they see as its dominant position in contract negotiations.

The proposed contracts appear to offer train operators the repayment of their track charge if a bridge or stretch of line becomes unusable but to provide no compensation for any loss of income.

"The terms and conditions clearly transfer all the risk and obligations of running a railway to the franchisees," said Mr Peter Field, managing director of South West Trains, which hopes to win a franchise on routes from London Waterloo.

"We need guarantees that provide an absolute assurance that the infrastructure will be looked after. The performance regime really has to hurt Railtrack if it does not deliver".

Mr Chris Green, who is due to take over the running of ScotRail next month with plans ultimately for a buy-out, said: "There should be a sharing of risk but at the moment it feels like a one-way transfer.

"The consequences of a bridge washing away for three months would be huge in terms of the train operator's income but low in terms of the cost of bridge replacement to Railtrack," he said.

He also called for contracts which took account of economic changes beyond the control of the train operators - with Railtrack's charges falling in a downturn and rising in *periods of boom.*

"We need to share the impact of the trade cycle", he said.

A third area of disagreement has emerged over timetables. One prospective franchisee, who declined to be named, said Railtrack was pressing for very frequent changes to allow it to slot in more trains if a new operator came along.

This would cause problems for existing service operators, he said.

Railtrack responded that it was negotiating "in the open" and under the scrutiny of the government, and the franchise director, who is charged with arranging the sale of BR franchises, and the British Rail board.

It declined to comment on the details of the negotiations which were "in the final stages", it said.

The contracts at present being negotiated will apply for the 12 months from April 1994 while the operating companies are working as "shadow franchises" but still owned by BR.

The sale of the franchises to the managers or other buyers will only take place from 1995. Nevertheless "the considerations being applied are still very realistic," Railtrack said.

Shipping magnate dies at 76

Lord Inchcape, the former head of Britain's biggest shipping group who has died at the age of 76, was a shy and undemonstrative man in an industry which has produced more *than its fair share of colourful,* extrovert characters.

He was chairman of the Peninsular and Oriental Steam Navigation Company (P&O) at some of its most turbulent times in the 1970s and 1980s when its independence came under serious threat. He also ran the trading group which bears his name.

Kenneth James William Mackay was the third Earl of Inchcape, the link with P&O dating from the time when his grandfather merged the company with his own shipping line, British India.

In 1973 he became chairman and in 1978, chief executive as well, and initiated a restructuring policy to ensure P&O's survival after a period of expansion.

After Lord Inchcape had announced his intention to retire, Trafalgar House, also in property and shipping (through the rival Cunard line), launched a hostile bid in 1983.

It was then that the more assertive and financially experienced Mr Jeffrey (now Lord) Sterling took over as chairman to mount a powerful defence. P&O kept its independence and Lord Inchcape stayed as president until 1986.

£18m rides on meaning of 'm'

By John Gapper, Banking Editor

Two British businessmen are threatening to sue Union Bank of Switzerland after one of its Swiss branch managers sup*plied a reference saying that a* customer was good for £18m, but later insisted that it had meant £18,000.

The managers said "m" refers to "mille" in Switzerland, not millions.

The dispute broke out after the sale of a Spanish resort development in which the two men had a majority stake fell through. The sale depended on the investors that had agreed to buy it receiving an £18m loan.

The transaction is one of several thought to be being investigated by the Metropolitan Police. Detectives want to interview Mr George Lagoudontis, a Greek businessman who allegedly agreed to lend £18m last May.

After Mr John Collins and Mr Tony Etridge had agreed to sell their majority stake in a Valencia golfing and leisure resort last year, they tried to verify the standing of Royal Trust of Greece, Mr Lagoudontis' company.

Mr Beat Hunold, manager of the UBS branch in Glarus, replied in German to Barclays, Mr Collins' and Mr Etridge's bank, that Mr Lagoudontis was "good for 18m sterling".

However, when the reference was re-checked later following delays in the transfer of £18m and the exchange of contracts, Mr Hunold and a fellow manager wrote on July 15 to say that he had not meant £18,000,000.

"In Switzerland, "m" is used *as an abbreviation for "mille"* (thousand) and "mio" for million. Therefore, we understood your request to be for 18,000, so our reply to you was absolutely correct," they wrote.

The legal department of UBS in Zurich has defended its stance and said it cannot give more information to Mr Collins' and Mr Etridge's solicitor because it supplied the bankers' reference to Barclays.

Mr Collins said that UBS was trying to "defend the indefensible" in not admitting that it was at fault over the reference. A spokeswoman for UBS in Zurich said that Glarus was a rural branch which could easily believe "m" to be an abbreviation for thousand. She said it had been prevented by confidentiality from giving more information.

Although an £18m price was agreed for the El Bosque development - in which Mr Collins and Mr Etridge held a controlling stake through companies in the Isle of Man - the buyers now believe that, because of delay, it is worth less than £10m.

Mr Lagoudontis said that it had proved impossible to make a loan because a company involved had been in receivership.

Britain in brief

Rolls-Royce buys US software

Rolls-Royce will announce today the largest order ever placed by a UK engineering company for computer aided design and manufacturing systems as part of its efforts to improve the design and production of jet engines.

The UK aero-engine and industrial power group is buying £14m worth of Cad/Cam software and services for its aero-engine division from Computervision, the US software house.

Computervision said the initial order from Rolls-Royce involved 1,000 terminals or design stations.

The aero-engine manufacturer had an option to buy and install a further 1,000 terminals by the end of the decade.

According to the US company the order is potentially worth more than £40m over a period of seven years.

Rolls-Royce's new CAD/CAM investment reflects a growing trend in the aerospace industry, with manufacturers increasingly turning to computer systems to help them design and test products before they are manufactured to reduce production lead times and reduce the risk of malfunctions and other teething problems.

Airframe manufacturers such as Boeing of the US and the European Airbus consortium have used CAD/CAM to design what they call "paperless" aircraft to enhance the development of complex aircraft programmes.

Hotel costs still irk tourists

The number of foreign tourists who believe the UK offers good value for money rose last year following sterling's devaluation, but dissatisfaction over the cost of hotels remained high, according to a survey published today.

The British Tourist Authority's annual survey of foreign visitors also found that French and Italian visitors were more dissatisfied than tourists of other nationalities with Britons' inability to speak foreign languages.

The survey found that 55 per cent of visitors in 1993 thought London public transport provided good value, compared with 50 per cent in 1992.

Prices in shops won the approval of 47 per cent, compared with 35 per cent in 1992. Meals were regarded as good value by 42 per cent, compared with only 28 per cent in 1992.

However, hotel accommodation outside London won the approval of only 21 per cent, up from 19 per cent in 1992. London hotels were regarded as good value by 17 per cent of those answering the survey questions compared with 12 per cent in 1992.

Cross-media review urged

Four of the UK's largest newspaper and publishing groups have told the government that the narrow rules on cross-media ownership must be rescinded if Britain is to take full advantage of the multimedia revolution.

According to the British Media Industry Group, which brings together Associated Newspapers, Telegraph Publishing, the Guardian Media Group and Pearson (owner of the Financial Times), the UK rules are the most restrictive in Europe.

Under the 1990 Broadcasting Act the newspapers are limited to one 20 per cent stake in television companies followed by further stakes of no more than 5 per cent.

Slow recovery in building

The decline in the British construction industry has halted and a slow recovery appears to be underway judging by recently published statistics.

These show output is no longer declining with construction orders rising consistently since the Autumn in almost every sector.

Bricks, cement and ready-mix concrete sales have increased, albeit slowly, for the first time since the late 1980s.

Prices of some building materials have started to rise increasing pressure on contractors to put up their own prices.

Commercial property sales have also risen although it will be a long time before this works through to increased development activity.

Instead housebuilding is leading the way out of recession. Demand for new homes has increased as the cost of buying as fallen to the lowest level for more than a decade. Prices have also begun to edge up again, according to building societies.

Immigration rules criticised

Immigration restrictions are depriving UK businesses of much-needed professional and managerial skills, says a new report published today by the left-of-centre Institute for Public Policy Research.

Changes in immigration policy could bring economic benefits in the form of skilled labour and an inflow of investors and entrepreneurs from overseas, the institute says.

It would also help in attracting international companies by making it easier for them to transfer staff into the UK.

Other western countries actively promote immigration *to fill skill shortages and* boost their economies, according to the report.

Britain's policy towards migrants was adopted in the 1960s to deal with large-scale immigration to fill low-skill jobs, the report says.

It neglects the needs of the labour market for selective, skilled immigration and erects unnecessary barriers to entrepreneurs who would invest in the UK and create jobs.

The work permit system operates primarily as a form of entry control, rather than a system for identifying the UK's economic needs for migrants. It should be revised to adapt to current migration and economic conditions, the institute says.

The UK approach is contrasted with that of the US, Canada and Australia, where immigration is seen as a means of attracting people who can contribute to future economic growth.

Substantial numbers of migrants are unlikely to be needed to fill UK labour shortages, the report says.

But relaxation of immigration policy is necessary in a world where certain types of human capital have become much more mobile.

MANAGEMENT

Novel ways to reward

Big companies looking for new ways to reward their employees may find inspiration in the strategy of a leading UK local authority.

Staff at Wakefield metropolitan district council in the north of England have been given the scope to "double" their pay increases this year through an array of discounts and perks with local businesses.

David Williams, head of personnel at Wakefield metropolitan district council, says the deals are designed to help staff retention at a time of low or non-existent pay increases.

"In the present climate of budgetary restraint, we can't offer big pay increases but we have got enormous purchasing power and why not use it?"

He says the deals also encourage the 16,000 full- and part-time council staff and 7,500 employees of West Yorkshire Police Authority to use local businesses.

A report in *Personnel Management Plus*, a magazine of the Institute of Personnel Management, says that among the biggest savings was one of the first negotiated, nearly two years ago – a half percentage point off the mortgage lending rate of the Bradford and Bingley Building Society.

"The average saving on mortgages will be £500 over three years, which is doubling their pay rise for last year," says Williams. Staff had a 1.5 per cent pay increase in 1993 and are expecting little more this year.

Discounts have also been arranged on personal injury insurance, holiday travel, pizzas and electrical goods, and are being negotiated on new and used cars.

Williams says that with the annual pay increase no longer taken for granted such arrangements will become more common. "It is our job to find more immaginative ways of making people's earnings stretch further."

Richard Donkin

A Lincolnshire businessman tells **Leslie Crawford** of his travails in Kenya

An African adventure

When Eddie Arnold's international trading company went bankrupt in the late 1980s, he decided to take his knowledge of the food business abroad. Kenya's thriving horticultural industry seemed a good place to make a fresh start.

Arnold knew the country well, as it was one of the main suppliers of dehydrated vegetables for his UK clients. Deliveries, however, had become erratic, and Arnold seized the opportunity to go and sort the problem out. Before he knew it, he was taking over the management of a state-owned vegetable processing plant.

Three years later, Arnold has survived crop failures, the evaporation of bank loans, and the loss of a financial partner. He fought to rescue the state-owned factory from receivership, but was evicted when he fell behind with the rent. He recently convinced the Kenyan government to give him back the lease.

Arnold certainly got more than he bargained for in the quest for dehydrated vegetables. Did he underestimate the complexities of operating in an African environment? The Lincolnshire businessman, now 41, confesses that he was seduced by a proposition few western businessmen in Africa can resist: the challenge of turning round an ailing commercial venture whose only handicap is its state-owned parentage.

Across the continent, African governments are under pressure from the World Bank and other creditors to divest from their sprawling progeny. But because public companies are in such poor shape, privatising management has proved to be a convenient half-way house on the road to full-scale privatisation. Foreign investors gain country experience with little or no capital risk, while the government is freed from the day-to-day running of corporations.

For the growing number of foreign managers taking charge of hotels, fishing companies, bottling plants and textile mills in Africa, a management contract looks like a risk-free gamble: minimum capital outlays ensure a big slice of the profits.

Or do they? As Arnold was to find out, it takes more than a pioneering spirit to survive as a businessman in Africa.

When he first arrived, his intention was to work with Pan Vegetable Processors' management and its contract farmers to ensure a smooth delivery of export orders for his clients in Europe. The orders for dehydrated vegetables were worth millions of dollars at a time.

Under an African sky: Eddie Arnold with one of his contract farmers

Arnold realised that the parastatal's problem was that it was chronically short of cash. "I encountered a lack of management skills, the usual fiddles, and the fact that farmers were not being paid," Arnold recalls. "No money, no product – it was a simple as that."

Arnold decided to advance Pan Vegetables some working capital, which produced its magical effect: the factory suddenly had a steady supply of fresh vegetables to process for export.

For a while, everything went swimmingly, with satisfied customers in Europe and a factory operating under full steam in Kenya. But in 1992, Kenya's state holding company, the Industrial and Commercial Development Corp, placed Pan Vegetable Processors into receivership.

"I knew I could turn it into a profitable operation," Arnold says. So in October 1992, he negotiated a three-year lease for the plant.

Then drought struck. Throughout 1993, a merciless sun beat down on the rich farmland of Kenya's Great Rift Valley. Farmers around Lake Naivasha, where the factory is located, lost 80 per cent of their crop. Arnold lost his supply of fresh vegetables, as well as £200,000 invested in seeds and fertilisers for his farmers.

To make matters worse, Kenya was in the middle of a severe credit squeeze and Arnold's pleas for emergency working capital fell on deaf ears. His money dried up, he fell behind on his rent and discovered one day that he had been locked out of Pan Vegetables.

Arnold suspects there may have been an ulterior motive for the lockout. The factory is an attractive asset, not least because it sits on 200 acres of prime farmland in a land-hungry country. When the government's Parastatal Reform Committee decided the company should be privatised, Arnold suddenly became an inconvenient sitting tenant. His financial difficulties gave the authorities an excuse to break the three-year lease agreement.

However, squabbles between the Industrial and Commercial Development Corp and the Parastatal Reform Committee have delayed Pan Vegetable's privatisation. Samson Juma, ICDC's top legal officer, admits that there is a "tug of war" between the two state organs over who should be in charge of Kenya's privatisation programme.

While the struggle continues, Arnold has the factory on a renewable one-month lease, which makes any long-term planning difficult, not to say impossible.

After much knocking on doors, he has obtained some working capital from Middle Africa Investments, a local firm of financial advisers, and he hopes he can hang on to Pan Vegetables until mid-year, when a new harvest might allow him to recover his original outlays.

Arnold hopes to make a bid for the factory when it comes up for sale. If he were offered another management contract, however, he would avoid his original mistakes: he says he badly underestimated the amount of working capital he would need – a complaint often heard among first-time businessmen in Africa. He negotiated too short a lease on the factory, and was let down by local partners who did not fulfil their financial commitments. Even gambling in Africa, it appears, requires far-sighted planning.

Let them know you're good

Lucy Kellaway is taught the art of self-promotion

This is the story of a yellow rubber band and a bottle of perfume. It is the story of two behavioural scientists from Dallas who, after years of research, found that these two objects held the key to success and recognition.

Put thus, the tale of George Dudley and Shannon Goodson sounds an unusual one, implausible even. Yet in the bizarre world of US motivational gurus this smiling duo are at the normal end of the spectrum, and have earned a reputation for down-to-earth theories and practical advice.

Their starting point is uncontroversial enough. It is that the people who are the best in their jobs do not necessarily get promoted fastest or, to put it in their words, "the cream doesn't rise to the top".

"If you want to make money, you not only have to be good at what you do, you need to make sure that others know how good you are," says Dudley. Most people, he says, have been brought up to think that it is immodest, too forward or downright pushy to promote themselves. But the world has changed, and he argues that self-promotion is the most important thing they don't teach at school.

Madonna has learned it, and so has Ross Perot. These two shine less for their innate abilities than for their outstanding flair at self-promotion.

Mercifully, Dudley and Goodson stop short of promising that we can all be Madonnas or Perots. But they do claim that everyone can overcome their reticence and be a little more successful. To help them, Dudley and Goodson have written a book* which promises to get over what they describe as "call reluctance".

Practising what they preach, the pair were in Britain last week promoting themselves and their book to a group of bemused British managers. Dudley and Goodson introduced them to 12 different sorts of call reluctance, the results of 23 years of painstaking research. Everyone has an average of two of these traits, they said. I had barely opened my mouth before Dudley suggested that my poor self-promotion might be due to "role rejection", a curious trait found in people who feel their jobs are a disappointment to someone close to them.

Other types include "yielders", who are so preoccupied with never offending anyone that they can barely bring themselves to act at all. Then there are people who suffer from "hyper-professional" behaviour. This type is too busy dangling the Rolex to pick up the telephone.

Companies as well as people can suffer from these disorders; Dudley diagnoses IBM as suffering from a classic case of hyper-professional call reluctance. "If you need someone in our sector you'll come to us, because of who we are," is how he characterises the IBM malaise.

His own problem – which he shares with Goodson – is that he overprepares. "We are people who cope with discomfort by insisting on more information. We feel it would be a cataclysm if someone asked a question and we didn't know the answer."

For each of the 12 types the remedy is different. One that works well for one type may be counter-productive for another. Overpreparers do not respond to words and arguments. "We need stronger medicine. This behaviour is habit based, and we need something that would interrupt the habit in sequence."

This is where the rubber band and the perfume come in. On Dudley's wrist he wears a big rubber band. "Every time these feelings hold me hostage, I snapped them with the rubber band. It is the only thing that gets through to me."

To help him overcome his fear of standing up in front of big audiences he sprays some Windsong perfume under his nose. This, he says, reminds him of a happy time in his adolescence, and this smell makes him feel good during the presentation and leaves no room for fear.

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THE MONDAY
People
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Getting out now the going's better

Luciano Benetton tells **Andrew Hill** about his decision to eschew politics

If there is one man who has a right to appear calm, as Italy prepares for next week's landmark elections, it is probably Luciano Benetton.

Benetton, 60 next year, founded the Benetton Group with his brothers and sister in 1965, and built it into Italy's best-known and most successful clothing company at a time when the now discredited political regime was at the height of its power. During three decades in which many other enterprises were obliged to pay off local and national politicians, Benetton's reputation remains untarnished. Luciano Benetton now heads a worldwide network of more than 7,000 shops in 110 countries, including Albania and Cuba.

Indeed, the only real controversy which has touched the group has been of its own making, in the form of a notorious series of advertising campaigns, culminating most recently in the image of a dead Bosnian soldier's blood-stained battle fatigues, which was banned in certain countries.

It was all the more striking, therefore, that Italy's small Republican party should have persuaded Benetton two years ago to stand for election to the Italian parliament's upper house, the Senate. Benetton was one of several respected personalities not previously active in Italian politics who have been helping to supervise the country's technocratic government. However, he will take part in the poll as a mere citizen, not as a candidate for re-election.

Is the birth of Italy's "Second Republic" really the right moment to retreat from active politics? "I became involved in Italian politics as part of a wider movement striving to overthrow the old political party system," Benetton says. He now believes Italy has nearly achieved that goal; nearly, but not quite. "I'm a bit less worried now than before, but there's still a considerable amount of confusion."

More prosaically, he points out that politics takes too much of his time. "I think specialists are required for politics and you cannot be a specialist in too many things," he says. "I would have had to give up my job, which I'm not prepared to do."

It does not seem to worry Benetton that specialists are in short supply for this election campaign. Indeed, the front-runner is another entrepreneur, Silvio Berlusconi, who is leading the polls at the head of a new party, Forza Italia, and fielding a list of candidates mostly new to politics. Benetton is an admirer of Berlusconi's business acumen, but he remains to be convinced about his political skills.

"He [Berlusconi] has said that if he wins, he will create 1m new jobs and reduce taxes for many categories of Italians – well, I think he needs to prove it," Benetton says. "It's certainly not going to be an easy task. In this country a lot of money was squandered, a lot of public money was very badly employed and I think that Italians cannot really be told that just one person is going to solve all the problems of the public deficit, just like that."

It is easy to understand why Luciano Benetton feels happier out of politics. The caring, "green" image of the Benetton Group is largely the work of its chairman. The group's headquarters in a white-painted villa near Treviso in north-east Italy seem a long way from what its chairman describes as the "boring" but inevitable bluster and hyperbole of the election campaign.

Any similarities between Benetton's style and that of other prominent Italian industrialists are superficial. For example, he dismisses the suggestion that the family holding company's 4 per cent stake in a new daily, La Voce, is an attempt to match the media ambitions of other entrepreneurs. The company is simply part of a consortium, he says, investing partly out of "curiosity", partly out of confidence in La Voce's founding editor, Indro Montanelli, a disgruntled former Berlusconi editor.

Benetton is politically to the left of Berlusconi, whose party is allied with the federalist Northern League and the neo-fascist National Alliance. Although Benetton represented the Republican party, he now seems more likely to favour the recently formed Democratic Alliance, part of the left-of-centre Progressive grouping.

In any case, Benetton believes that such distinctions are less and less relevant to the business of managing Italy: "I believe that the economic programmes [of left and right] should not be too different, because, after all, certain issues which were taboo for many years, such as privatisation and [reduction of] public debt, will have to be faced by any government."

He cites the approach of the technocratic governments of the past two years as an example of what could and should be done. "Rather than seeing people inventing something new I'd like to see good administrative management being pursued."

In practice, however, Benetton predicts uncertainty in the immediate aftermath of next week's election. He, like many Italians, believes electoral reforms and political alliances will have to be refined, and a second election called. This could usher in a period of more stable British-style politics, dominated by two or three parties.

It seems unlikely that short-term confusion in Italian politics will upset the general calm at Benetton Group headquarters. Helped by devaluation of the lira in 1992, and by the abolition of Italy's wage indexation system, the group has continued its tactic of dropping prices to fight the global recession.

"As a company we only want to be able to operate in a country which has a structure and a system that enables us to compete with other countries," he adds. "We don't have any specific expectations [of a new government]. As Italians, we know that the country will have to change and will have to implement some major projects, in particular the state will have to reduce its presence. But this is important to us as citizens, not as Benetton Group."


Trevor Humphries

Personae . . .

Mathis: a bear-hug from Welch

What's it like being caught in a bear-hug by Jack Welch, one of the US's most powerful corporate bosses? Not pleasant, as David Mathis, boss of financial services group Kemper, is finding out, writes **Richard Waters.**

A "bear-hug" is Wall Street's favoured term for the tactic employed last week by Welch, head of General Electric, to force Mathis to accept his \$2.2bn unwanted advances: offer a big premium for the company, then sit back and wait for Mathis and his board to crumble to shareholder pressure and accept.

The 55-year-old Mathis has every reason to feel peeved. Just two years ago, Kemper was on its knees, weighed down by bad property investments and poorly performing property/casualty and reinsurance businesses.

That Kemper has bounced back is largely down to him. Mathis sold off the insurance operations (apart from the life business) and relieved much of the pressure from real estate. Followers of the company are unanimous in their praise for his efforts.

Mathis could be the ultimate company man. His college education was backed by a Kemper scholarship, and he has spent his entire career at the fund management, life insurance and broking group, based near Chicago. After working his way up on the insurance side, (including starting the group's operations in Europe) he stepped up to become chairman and chief executive in March 1992, at the height of Kemper's difficulties.

It must be particularly vexing for Mathis that the company's rebound caught the eye of Welch and his team before it attracted the attention of the stockmarket. His argument now that Kemper should be left alone to get on with its business rings hollow: Welch's hug is feeling tighter all the time.

Siew lands his plum job

Richard Siew will be coming home – well, almost – in May when he takes up his new role as managing director of overseas operations at Hall Engineering (Holdings), the UK metal stockholding, steel products and automotive engineering group, writes **Andrew Baxter.**

Siew, born in Kuala Lumpur and a Malaysian citizen, will be based down the road in Singapore for what will be a pivotal role developing Hall's Pacific Rim interests – destined to feature strongly in the future of the Shrewsbury-based group.

A self-assured man who has risen quickly through the company's overseas businesses, Siew came to the UK in 1979 but has always had his sights set on a plum job in the Far East.

He trained as an accountant, but did not want to become an auditor, so – attracted by the spread of the company's international operations – joined Hall in 1983 to get some industrial and management experience. After working in Saudi Arabia for four years, Siew moved to Malawi for Hall in what he calls a "trouble-shooting assignment". Three years of restructuring Press Steel & Wire proved to be a prelude to a much tougher job in South Africa, where he arrived in 1990.

Over the past four years as chief executive of Hall's interests in South Africa, Siew has "downsized" a business which was close to financial collapse because of borrowing restrictions, got rid of loss-making operations, reduced the workforce from 1,000 to about 250 and repositioned it for the future.

If things go well, Siew will have little trouble-shooting to do in his new role. Since he will be operating in his own backyard, he sees a unique opportunity to develop Hall's businesses in Asia, many of which are joint ventures with BHP of Australia.

Siew will have a twin role of exploiting emerging markets, such as Vietnam, for Hall's more basic products, while pushing higher technology business opportunities, such as automotive engineering, elsewhere.

China, where Hall has hardly scraped the surface so far, is a top priority.

The Hall associate companies, which overall make the biggest contribution to Hall's profits, have been investing heavily in new equipment and manufacturing sites in Hong Kong, Indonesia and Vietnam.

John Tucker's international alliance

German corporate history was made on Friday when John R. Tucker became the first ever American to take the helm of a big German company, writes **Michael Lindemann.** Tucker will become chief executive of München Motoren und Turbinenunion (MTU), a subsidiary of Deutsche Aerospace (Dasa), on July 1.

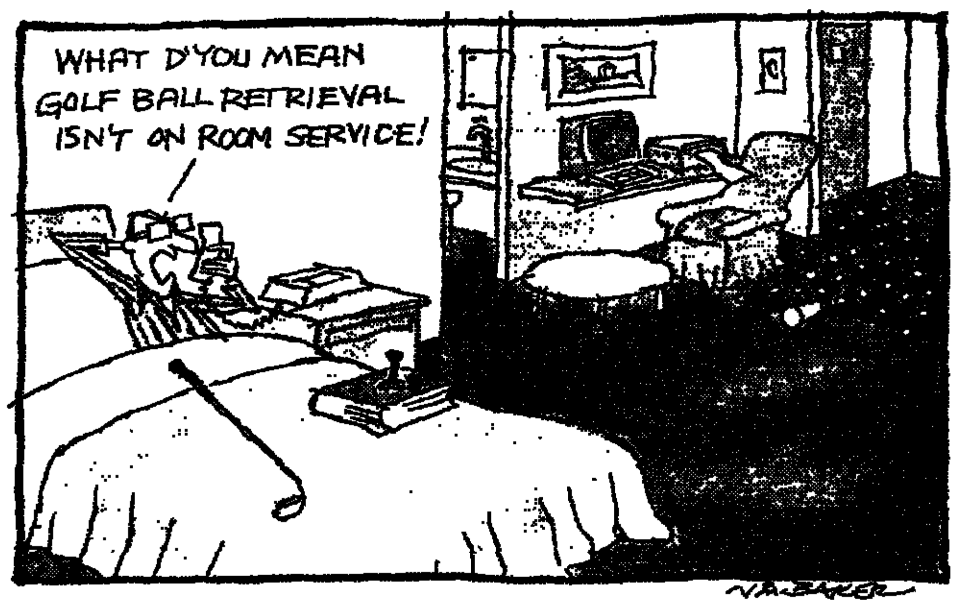
He joins a handful of foreigners in senior German management, as companies – previously managed exclusively by Germans – fight to strike new international alliances. Tucker, 46, is expected to follow in the footsteps of his predecessor, Hubert Dunkler, and become a member of the Dasa board in the next few weeks.

Industry analysts have suggested the appointment is meant to strengthen Dasa ties with Pratt and Whitney, the leading US engines manufacturer, and rival the successful co-operation between General Electric and Snecma of France.

The new MTU boss began his career at Westinghouse Electric in 1968. Most recently he was chief executive at AEG Transportation Systems, the Pittsburgh-based subsidiary of the German multinational which is a market leader in propulsion and people-mover systems. He is credited with pushing sales up to a record \$210m in 1992 and revolutionising working practices among the 1,100 workers.

Michael Skapinker explains what you can expect if you stay on a hotel's executive floor

Rooms where class matters



If you stay on the Executive floor of the Brussels Hilton, your bathroom mirror will have a heated unit behind it to stop it misting up. On the Crown Club floor of London's Grosvenor House hotel, you will be attended by staff who are paid more than those on other floors to ensure that you get even better attention.

The class system, so firmly established on the world's airlines, has now arrived at Europe's top hotels. There are five-star hotels, promising business travellers every comfort, service and convenience. And there are designated floors within five-star hotels offering even more comfort, service and convenience – at a price.

Executive floors have been a feature of Asian hotels for several years, but are becoming increasingly common in the US and Europe.

Today, the Club floor of the *Churchill Inter-Continental*, near London's Oxford Street, opens for business. For £210 a night for a single room – about £25 more than you would pay elsewhere in the hotel – you can use the exclusive Club floor check-in desk, instead of the one in the lobby.

Club floor guests also have their own lounge, offering complimentary breakfast and evening cocktails. There is also a library on the floor, and a fax and modem socket in each bedroom. Guests have a valet to unpack their suitcases, and their clothes are pressed without charge. A meeting room is also provided free of charge, subject to availability.

Inter-Continental recently opened a similar floor at its hotel in Frankfurt.

At first sight, the offerings of the Churchill Inter-Continental's Club floor do not look particularly enticing. The private lounge is small and the view from it is uninspiring. The "library" is even smaller, with a glass-fronted bookcase in it. Club guest rooms resemble other five-star hotel rooms and, although they have the promised modem and fax sockets, so, it appears, do the other rooms in the hotel.

The idea behind executive floors in top hotels is a strange one. Hotels already offer different levels of service at graded prices. If the service offered by the five-star hotels is not required, or is too expensive, you can always stay in a two or three-star hotel.

But if you do elect to pay five-star rates, you expect the service that goes with it. If those paying even more for an executive floor in a five-star hotel receive the sort of service that makes doing business possible, what sort of service are guests on other floors getting?

Mr Geoffrey Breeze, vice-president of Hilton International, which offers Clubroom, "a new service focus" at more than 60 of its hotels, explains: "Almost all Hilton International hotels are business-oriented and all of our guests receive service of the highest standards. One in 10 of our guests request executive floor accommodation. This customer requires extra services, immediately to hand, and is more likely to use the hotel as a base for business.

"While we would like for the other nine to get a taste for executive floors, we are committed to providing all customers with the same quality of service." Got it?

Ms Melanie Baker, Inter-Continental's communications director, says the attraction of an executive floor is that it offers guests the personal attention of a small "boutique" hotel, while still providing the facilities of a large five-star establishment. "It offers the person travelling on business more of a private club. It's a privacy issue."

Ms Vanessa Leak, head of travel management marketing at Thomas Cook, says access to a smaller lounge on the same floor as the bedroom is particularly attractive to women.

Mr Neil Kirby, deputy general manager of the Grosvenor House, puts it this way. A room on the Grosvenor House executive floor costs £45 more than elsewhere in the hotel. But the executive floor price includes breakfast, which will cost you £13.95 if you are staying on one of the other floors.

On the executive floor there is also free use of the minibar, he says, and room service lunch or dinner is provided free. Free clothes pressing is also offered – a service you have to pay for if you are on one of the other floors.

Moreover, on the executive floor of the Grosvenor you get free use of the meeting room. In most London hotels this would cost £250 to £300 a day. The executive floor provides a package of services, which, as a business traveller, you might otherwise have to pay for individually. The final cost therefore is unlikely to be greater than staying elsewhere in the hotel.

The hotels are convinced their guests view the service this way, because demand for executive floors is strong. Far from being a passing fad, special floors are here to stay, they say.

Airlines know what this means. Offer two classes and those in the cheaper one will ask for an upgrade.

Do hotels allow ordinary guests to upgrade to executive floor without paying extra? "Definitely not," is the response from the reception desk on the Churchill Inter-Continental's executive floor. Mr Kirby concurs: "We don't upgrade." Never? "Unless it's a very regular customer."

While London hotels say business is picking up, occupancy elsewhere in Europe is still low. Ask for an upgrade to the executive floor. What have you got to lose?

Ringing the charges

Telephoning from hotels around the world can cost you dear, says **Andrew Adonis**

Our recent invitation to readers to send in tales of mammoth hotel telephone charges yielded a barrage of festering grievances.

The main complaint concerned the premium levied by hotels, both for direct-dialled calls from bedrooms and for the use of telephone calling cards, a prime purpose of which is to avoid extortionate hotel phone charges in the first place.

One reader, staying at the Royal Moat House Hotel in Nottingham last month, was charged £82 for a 22-minute off-peak call back home to Singapore. The standard BT tariff for the call is about £17 – representing a nearly five-fold mark-up.

His complaint was not just at the size of the bill, but at the hotel's failure to make clear the scale of the mark-up. The list of "hotel services" in the bedroom states simply that "calls are charged at 30p per unit for 5 units and 25p for subsequent units" – which, as he writes, "provides absolutely no information to overseas guests who are unaware of the relationship between units and minutes".

A reader staying at the Bellhouse Hotel in Beaconsfield, Buckinghamshire, was well aware of that relationship, and used his BT calling card to avoid it. He was caught nonetheless by a "facility charge" for the use of such calling cards cards of 20p a minute. Both hotels confirm the charge rates.

One-off "access charges" are common – 75 cents being the norm in the US – but facilities charges are in a different league. "What next?" asks the reader who stayed at the Bellhouse. "Charges for incoming calls – after all, they have to be answered by the hotel operator?"

A visitor to Taipei was faced with a four-day hotel bill of £1,050 including £600 in phone calls – "I made some long calls to the UK and Tokyo, but was not prepared for that amount." However, his main complaint was against the leading phone company whose card he was using: its inaccurate billing system produced a grossly inflated bill.

So it pays to check your bills. It also pays to complain. The Bellhouse visitor got a refund; so did another reader, who faced a $100 phone bill at a central Washington DC hotel, made up of 100 charges of $1 for each call made using a calling card. He had his bill halved, and is pressing for a discount on the access charge for travellers making an above-average number of hotel calls.

Some readers think the age-long custom of asking people to call you back is the only remedy. This also avoids calling-card premiums, although card charges are far lower than direct-dial rates levied by most hotels. But if you are using a calling card from a public phone, be careful not to be seen tapping in your personal identification number (PIN). One reader had his AT&T code "stolen" at Heathrow and was sent an $18,000 bill – "presumably for drug calls all over the world".

It is notable that virtually all responses came from self-employed consultants or employees of small companies. Are they the only travelling executives who look at their hotel bills before paying?

Colonial era revisited

Vietnam Airlines will offer flights from Hanoi to Dien Bien Phu from April 1, spurred by demand from French visitors visiting the site of the battle which ended French rule 40 years ago.

BA in Bulgaria

British Airways will resume regular services to Bulgaria in May after a 12-year lapse.

US expansion

KLM Royal Dutch Airlines will fly to 28 more US destinations from Amsterdam this summer, and add Osaka in Japan to its scheduled flights in September. Flights to Ho Chi Minh city in Vietnam will become bi-weekly, instead of weekly. Schipol, the Netherlands' main airport, had 21m passengers last year, up 11 per cent.

Closing time

Greece has imposed a 2am closing time on hundreds of bars, clubs and restaurants. The government said the law would cut crime and boost worker productivity.

Gravy train

Hoteliers in Corfu are trying to profit from the European Union summit which will take place there in June. Greek minister for European affairs Mr Theodoros Pangalos said on Friday.

Mr Pangalos said owners of the three largest hotels on the island wanted payment for six days from those attending the June 23-25 summit. "They were trying to profiteer when they should have thought more seriously about their customers," he said.

The hoteliers demanded the Greek state pay for the extra two days when embassies in Athens refused. "I had no problem with the people of Corfu. I had a problem with the three big hotel owners, none of whom is from Corfu," Mr Pangalos said.

Warsaw bridge

Two workers were hurt when a gas explosion damaged one of Warsaw's main bridges over the River Vistula on Sunday. Traffic has been rerouted away from the Slasko-Dabrowski Bridge, which connects the suburb of Praga with Warsaw's picturesque old town.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	8	9	14	13	10
Hong Kong	24	21	21	23	21
London	12	14	15	16	15
Frankfurt	9	15	16	18	16
New York	12	13	16	15	11
L Angeles	19	21	22	18	19
Milan	17	19	22	21	19
Paris	14	17	18	18	16
Zurich	12	15	19	19	17

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

Village inside Earls Court: the tragedy of this event is that it fails to capitalise on the one area of life that is important to all of us

COLIN BEERE

A semi-detached vision

Colin Amery finds London's Ideal Home Exhibition short on ideas and good design

For 86 years they have come annually from all corners of the kingdom, to honour the gods of hearth and home gathered in a great temple in the capital. They come to perform ablutions in special cabins, to worship the wok, to conduct arcane rites with potato peelers and chant to the rhythms of silent pianos (courtesy of Yamaha). All this to the glory of the ideal home.

The Daily Mail Ideal Home Exhibition is in London at Earls Court until April 10. It ought to be a great celebration of domestic virtues and a practical demonstration of ways to make your home more ideal.

It should give purpose to our work and its creation should be one of the most creative exercises that we perform. I would like to think that an ideal home, or at least an exhibition of ideal homes, had something about it of architecture and design and that the visual and design ideals were at least matched by ideas.

When I went there the other day, full of pious hopes, I was expecting to see the vision that the the thousands of worshipping homemakers had come to witness. Mrs John Major was there, a comforting figure who clearly likes the quiet domestic virtues and is not seduced by the shallow glamour of passing fame. I can imagine her Hoovering in Huntingdon and enjoying it. And there is nothing wrong with that. In fact, sometimes I think the whole world has been especially laid out for the housewife to enjoy while her chap is sealed up in some air-conditioned box trying to find ways of paying the DIY bills.

It was Jane Austen's Emma who said: "There is nothing like staying at home for real comfort." And then there was that famous chic American decorator, Billy Baldwin, who said: "I have been thinking lately how comfort is perhaps the real luxury."

It was also Jane Austen who seems to have invented the idea of "English comfort", when she described a pleasing English country view: "It was a sweet view – sweet to the eye and the mind. English verdure, English culture, English comfort, seen under a bright sun without being oppressive." It must be this sense of peaceful harmony that most people are thinking about and longing for when they think of home. Any housewife, of either sex, who can achieve this has worked a miracle.

Is it this sense of peace and perfection on earth that is at the back of the minds of all the exhibitors at Earls Court? Are the side chapels on the endless aisles of Earls Court full of manufacturers praying to find ways to achieve this domestic miracle?

I would like to think that this was the case, even if only at some subliminal level. I particularly hoped to find it in the village of show houses; in previous years I remember this being the absolute heart of the exhibition. It was here that I hoped to find not just the hearth of the nation, but some inspiration for the future of domestic design.

I was not sure whether to cheer, or not, at the sight of the Marks and Spencer show house. I wondered whether this successful retailer was about to join the design revolution started by Terence Conran and his Habitat stores, which brought the simplicity contemporary design to the mass market. Or is Marks and Spencer going down a cut-price Ralph Lauren route? After all, you can now take off your M&S underwear and slip into your M&S dressing gown, take a bath with your M&S soap, dry yourself with a M&S towel and sleep between your M&S gingham sheets. When you wake you can revive yourself with some M&S blood orange juice and slump in your traditional club arm chair or venture on to the terrace to sit in your M&S rattan chair from "Siam", to enjoy a glimpse of your Lichfield or Lyndhurst or Newbury or Cadogan furniture that graces your drawing room. This is the vision: a semi-detached view of tradition that remains neither one thing nor the other. Neither cheap nor expensive, not actively bad but not particularly good design.

Is this the ideal home? Or is it the "Ducal" show house – untouched by modernism and yet equally unaware of any real tradition of domestic architecture? Why are these ideal homes so bad? Is it the fundamental poverty of modern architecture that has allowed this reactionary mediocrity not just to continue, but to be the norm when it comes to the average British house for sale on the speculative market?

The architectural profession seems to have no interest in improving the design of the average British house. Why is it not possible to buy a house extension or a new bathroom or kitchen that is as well-designed as the average car? What happened to prefabrication that it can produce loos for a developer at Broadgate but nothing for the domestic market?

As disappointing as the show houses is the design that won the Daily Mail Design Award. This design was by a student from the Royal College of Art, Graham Powell, who designed something called a mollusc, which he described as "a series of separate units or rooms which lock together to form a customised living space". They looked like curved Portakabins piled one on top of the other – not unlike the erections you see on the corners of building sites – with no design distinction in spite of their attached "solar assist kits".

The Ideal Home Exhibition has one virtue. You can go there with your own ideals of domestic bliss and emerge with them untouched. The tragedy of this great national event is how it fails to capitalise on the one area of life that is important to all of us. It is without ideals, and sadly without any significant ideas, for the future of our lives at home.

Theatre

Sacks's The Man Who

The writings of the neurologist Oliver Sacks are among the most exciting of our time. Not only do *Awakenings, A Leg to Stand On, The Man Who Mistook His Wife for a Hat*, and others feature some of the best-written case studies since Freud, they also trace new connections between body and mind, time and space, memory and present awareness, logical and instinctive thought.

And their influence on the performing arts has been remarkable: Pinter's play *A Kind of Alaska*, the film of *Awakenings*, the Second Stride multi-media work *New Tactics*, Michael Nyman's opera *The Man Who Mistook His Wife for a Hat* and more. Now the theatre director/producer Peter Brook has joined these ranks. His staging of *The Man Who. . .* (originally performed in France as *L'Homme qui...*) has now embarked upon a 10-week British tour – starting at the Contact Theatre, Manchester, as part of Manchester City of Drama '94.

The good news about Brook's production of *The Man Who. . .*, a brisk plunge into the case-studies of Sacks's book, is that its anecdotes are often fascinating in the way that they are in the book. The bad news is that anecdotes are all Brook has assembled. Neither has he turned *The Man Who. . .* into a work of art, nor has he tackled many of Sacks's more exceptional themes.

What you see is a kind of Sacks collage. There is the man mistaking his wife for his hat; the man who has lost all sense of his own leg (he cries in terror: "Why have they put an amputated leg in my bed?"); the man who, shaving only one side of his face, believes that he has shaved all; the man who thinks he is still a boy. Astounding data, and often moving.

The atmosphere is generally cool, objective. The method is Brechtian, though not the force. Four of the five performers swap roles, becoming patients and doctors by turns; the fifth provides occasional accompaniment on the kamanicheh, an Asian stringed instrument. Live videos are sometimes used to record details of the patients' behaviour, sometimes to show the patients things about themselves they otherwise fail to observe.

Brook does not attempt to re-create the individual characters described by Sacks. Indeed, his staging involves a little deconstruction – chopping case studies up into separate anecdotes, sometimes having one patient's story re-enacted by two actors, replacing Sacks's white Anglo-Saxon characters with African, Oriental, and French performers.

Brook never attempts one of Sacks's most abiding and profound themes – the miraculously therapeutic effect of music. Music, indeed, is one of the most lightweight features of the play. From time to time the kamanicheh adds its affecting sound, but it is applied – like film music – only to heighten the emotional effect of a scene.

Three of Brook's four speaking performers speak with French accents, which are in two cases so strong that they start to become charming in themselves, but distance us from what is being said. There is no scenery, only chairs, video screens and a few smaller props. And the fact that there is a minimum of acted characterisation is a pity, for it is so important to Sacks to show us the effect of neurological disorder upon individual character.

The Man Who. . . is an array of interesting and touching information. But it is a far more clinical and narrow work than Sacks's book, and not just because it omits the philosophical and literary references which Sacks so loves. Sacks's work keeps marvelling at the complexity of the human mind and saying: "What a piece of work is man." Brook's work, more ironic and detached, just says: "Curiouser and curiouser."

Alastair Macaulay

The UK tour of *The Man Who. . .* includes the Newcastle Playhouse (March 29-April 9), the Tramway, Glasgow (April 12-23), the Nottingham Playhouse (April 26-30), and the Royal National Theatre, London (May 4-21).

Music in London

A young quartet and London Brass

For the past 20 years or so, first-class string quartets have been springing up as never before. There is no simple answer to "Why?" – but there are some obvious factors, all interconnected. Modern recordings have made the quartet repertoire available to all sorts of people who might never have discovered it earlier; many more quartet teams can now make professional careers than there used to be room for; for distinguished senior quartets, it has become a moral duty to coach new ensembles. This is a happy state of affairs.

In the Wigmore Hall on Wednesday the young Vogler Quartet – which has been coached by the LaSalle Quartet and the great Sándor Végh – gave the last of three well-planned concerts, each featuring very late works of two classical composers and one strong contemporary exhibit. As a team, the Vogler Quartet is a year younger than the excellent Carmina Quartet (also winner of the crucial Evian competition). Its praises have been sung on this page often, but Wednesday's concert convinced me that it ranks among the best, most individual and enthralling teams to be heard.

The quartet played Haydn's and Schumann's last quartets, and György Kurtág's First (written in 1959 when he was a thoroughly practised 33-year-old, but denoted "op. 1" because it was his breakthrough into modern composing). In each work the players were hugely impressive – above all because of their *sound*: super-rich, communicatively forward and muscular, and yet laden with the players' separate characters, without which the glories of western chamber music would remain mere shadows of themselves.

The collective "sound" of a string quartet is no simple thing. It involves the subtle balancing of parts and a collectively focused attack, as well as sheer timbre. The splendid Vogler sound bespeaks a rare musical unanimity, one which leaves plenty of room for distinct personalities. Thus the players could deliver the great Andante of Haydn's op. 77 no.2 with compelling purpose, but vitally lit up by individual thrusts: marvellous to hear. Again, in Schumann's Quartet in A, op. 41 no. 3, the *Risoluto* section of the variation-movement acquired a towering, rambunctious impetus we rarely hear.

Yet elsewhere in Schumann, the Voglers could indulge expansive *rubati* to maximal affect, without dropping a stitch. Some of the curves they threw might have bordered upon winsomeness, had their intentions been less definite and palpable. In the six wildly inventive movements of Kurtág's quartet, the team outdid itself. Through wickedly syncopated passages and unmeasured dramatic suspensions, they were knife-edged and spot-on.

As for the *outré* range of string colours that the young Kurtág demanded, the quartet brought it all to palpable life (at the cost of a snapped viola-string in mid-stream, and a long pause while it was replaced). Every bizarre effect made a sharp expressive point, inseparable from the literal notes, and they all struck directly home. While it lasted, the music seemed to have the distilled density of a late Kurtág score. It doesn't, but the Voglers triumphantly persuaded us that it did.

David Murray

London Brass launched its 10-day Contemporary Music Network tour at the Queen Elizabeth Hall with a programme reflecting the ensemble's enterprise. The virtuoso 10-piece group – four trumpets, four trombones, horn and tuba – which grew out of the Philip Jones Brass Ensemble in 1986, does much to challenge perceptions of brass music.

Thursday's programme featured five contemporary works by British composers, all London Brass commissions, with a set of Venetian canzonas in the middle. The music of Gabrieli and his contemporaries is, of course, central to the brass repertory, and here the pieces were dispatched with flair. The QEH is not an ideal venue for these works – they need a church, preferably St Mark's in Venice – but they came across.

The programme's opening works, Dominic Muldowney's *Un Carnaval Cubiste* and Nigel Osborne's *Canzona: Procession of boats with distant smoke, Venice*, both art-inspired, picked up the Italian theme. Muldowney's seemed the more successful. It is based on a steady pulse provided by a centre-stage metronome, round which rhythmic counterpoints build into flashes of exuberance. Little tonal fanfares act like "found objects" in a painting, hence the title. The Osborne relies heavily on hazy, shifting sonorities, but the sounds are more interesting than the ideas.

Indeed, much of the evening's music revealed a poverty of invention, suggesting that composers were seduced by the sounds of the medium – brass instruments can be wonderfully liquid and irresistibly crunchy – and forgot about developing them. Michael Nyman's *For John Cage*, given its first London performance here, is a very un-Cageian pastiche of recycled big-band gestures. *Bayo's Way* by Jeremy Arden, for electronic tuba and ensemble, is like a miniature concerto. The form is clear, but the use of electronics unimaginative, limited mostly to highlighting the tuba's vulgarity in long stretches of violent burping. One had to admire Oren Marshall's virtuosity.

Mark-Anthony Turnage's *Set To* rounded off the evening and provided a corrective. Each of the two movements is richly textured, and both the languid Blues and joyous Bacchanale engage mind and ear.

John Allison

On tour: Liverpool, March 21 (051 709 3789); Hexham, March 24 (0434 607272); Dartington, March 26 (0803 863073); Bracknell, March 27 (0344 484123).

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Staatsoper unter den Linden The main event this week is the premiere on Sun of Dieter Dorn's new production of Elektra, conducted by Daniel Barenboim and designed by Yannis Kounellis, with a cast headed by Deborah Polaski, Uta Priew, Alessandra Marc, Falk Struckmann and Reiner Goldberg (repeated March 31, April 5, 10). Repertory includes Entführung and the Nureyev production of Sleeping Beauty. Tonight's song recital is given by Eberhard Büchner (200 4762/2035 4494)

Deutsche Oper Götz Friedrich's new production of a Schoenberg/Bartok double-bill - Erwartung and Duke Bluebeard's Castle - opened last night (repeated March 23, 31). Repertory also includes Peter Schaufuss' production of Giselle and Tannhäuser with René Kollo and Anne Evans (341 0249)

CONCERTS

Schauspielhaus Tonight: David Alan Miller conducts Berlin Symphony Orchestra in works by Goldmann, Mozart and Schubert/Berio, with piano soloist Radu Lupu. Tomorrow: Viktor Tretiakov violin recital. Wed: David Geringas is cello soloist with MDR Chamber Orchestra. Thurs, Fri, Sat: Markus Stenz conducts Berlin Symphony Orchestra in Cherubini, Beethoven and Respighi. Sun: Achim Zimmermann conducts Berlin Radio Orchestra and Singakademie in Frank Martin's oratorio Golgotha. Next Mon: Zubin Mehta conducts Vienna Philharmonic (2090 2156)

Philharmonie Tonight: Hartog Quartet plays works by Mendelssohn, Ligeti and Schumann. Tomorrow: Sophie Mautner piano recital. Thurs: Fritz Weisse conducts Cracow Philharmonic Orchestra and Berlin Concert Chorus in rarely-performed works by Saint-Saens, Sibelius and Fauré. Fri: Marcus Creed conducts Akademie für Alte Musik and RIAS Chamber Chorus in Bach's Matthew Passion. Sat: Glenn Miller Orchestra. The Berlin Philharmonic is in Salzburg till April 5 (2548 8132)

■ NEW YORK

OPERA/DANCE

Metropolitan Opera Tonight is the premiere of Elijah Moshinsky's new production of Otello, conducted by Valery Gergiev, designed by Michael Yeargan and Peter J. Hall, with a cast led by Placido Domingo, Carol Vaness and Sergei Leiferkus. Repertory includes La boheme with Diana Soviero and Richard Leech, Adriana Lecouvreur with Mirella Freni and Luis Lima, and Il barbiere di Siviglia with Susanne Mentzer and Vladimir Chernov (362 6000)

State Theater Dance Theatre of Harlem's season runs till Sun, followed by Joffrey Ballet April 6-17 (870 5570)

Joyce Theater Limon Dance Company is in residence till April 3 (242 0800)

CONCERTS

Avery Fisher Hall Tonight: Kurt Masur conducts New York Philharmonic Orchestra in works by Mozart, Bartok and Schumann, with violin soloist Glenn Dicterow. Tomorrow: Gil Shaham violin recital. Wed, Thurs, Fri: Masur conducts Schoenberg, Berg and Beethoven, with violin soloist Viktoria Mullova (875 5030). Sun afternoon at Alice Tully Hall: Sergei Leiferkus song recital (721 6500)

Carnegie Hall Tonight and next Tues: Ivo Pogorelich piano recital. Thurs: Kyung-Wha Chung, accompanied by Peter Frankl, plays violin sonatas by Bartok, Beethoven, Mozart and Ravel. Fri: Lindsay String Quartet plays Haydn, Tippett and Beethoven (247 7800)

THEATRE

● Carousel: Nicholas Hytner's National Theatre production of the Rodgers and Hammerstein musical is recreated with Michael Hayden, star of the London production, heading the American cast as Billy Bigelow. In previews, with opening night scheduled for Thurs (Vivian Beaumont, Lincoln Center, 239 6200)

● Angels in America: Tony Kushner's two-part drama is epic in scope and superbly acted. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Pounding Nails into the Floor with My Forehead: Eric Bogosian's monologue on life in the 1990s mows down all the sacred cows of political correctness. A scathing, scatalogical, exhilarating rant (Minetta Lane, 18 Minetta Lane east of Sixth Ave, 307 4100)

● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

● She Loves Me: the 1963 Bock, Harnick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

● Crazy For You: this musical based on Gershwin's Girl Crazy recently passed its second anniversary on Broadway. A highlight of its glitzy, fluffy entertainment is Susan Stroman's wildly imaginative choreography (Shubert, 225 West 44th St, 239 6200)

● My Fair Lady: Howard Davies' genial new production of the Lerner and Loewe musical, with Richard Chamberlain as a suave Professor Higgins and Melissa Errico the attractive Eliza (Virginia, 245 West 52nd St, 239 6200)

JAZZ/CABARET

Bottom Line Tonight's guest artist is jazz diva Cassandra Wilson, whose eclectic, brilliantly dramatic style draws on funk and rap influences. Appearing with her are the Mahotella Queens, who will perform a cappella. Darlene Love appears tomorrow (15 West 4th St at Mercer St, 228 6300)

Blue Note Zawinul Syndicate and Mike Stern Group are in residence this week, opening tomorrow (131 West 3rd St, 475 8592)

Michael's Pub Vernel Bagneris continues his salute to Jelly Roll Morton. Woody Allen plays clarinet in a Dixieland-jazz ensemble on Mondays (211 East 55th St, 758 2272)

Supper Club Little Richard appears tomorrow (240 West 47th St, 921 1940)

■ PARIS

DANCE/OPERA

Palais Garnier Final performances of a triple bill of new Roland Petit ballets are tonight and tomorrow. The Opèra Ballet School presents a mixed bill on Sat, Sun and Mon, featuring works by Béjart, Balanchine and Bessy (4742 5371)

Opéra Bastille Final performance of Carmen is tonight, with cast headed by Marta Senn. Robert Lloyd gives a recital on Wed. Khovanshchina, scheduled to open on March 31, has been cancelled. The next production is Alceste, opening April 20 (4473 1300)

Châtelet Peter Stein's WNO production of Pelléas et Mélisande opens on Sun for four performances conducted by David Robertson, with cast headed by Alison Hagley, Neil Archer and Donald Maxwell (4028 2840)

CONCERTS

Théâtre des Champs-Elysées Tonight: Jean-Marc Luisada piano recital. Wed: Frans Brüggen conducts Orchestra of 18th Century in Haydn's The Creation, with soloists including Joan Rodgers and John Mark Ainsley. Thurs: Antonello Allemandi conducts Orchestre Colonne in Debussy, Ravel and Stravinsky, with piano soloist Gabriel Tacchino. Fri: Zubin Mehta conducts Vienna Philharmonic Orchestra in Wagner, Schubert and Strauss. Sun morning: Jean-Claude Malgoire conducts La Grande Ecurie in concert performance of Gluck's Orfeo (Italian version), with James Bowman and Lynne Dawson (4952 5050)

Théâtre de la Ville Fri, Sat: Yuri Bashmet, accompanied by Oleg Maisenberg, plays works for viola and piano by Britten, Mozart, Shostakovich and Schumann (4274 2277)

Salle Pleyel Wed; Montserrat Caballé Sat: Jessye Norman (4561 0630)

JAZZ/CABARET

American jazz singer Ernie Andrews and Johnny Kirkwood Quartet open a two-week engagement tonight at Lionel Hampton Jazz Club. Music from 10.30pm to 2am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE

● Three Sisters: a new production Of Chekhov's play directed by Matthias Langhoff. Till April 1 at Théâtre de la Ville (4274 2277)

● Hamlet: Shakespeare's tragedy can be seen in a new production at Marigny staged by former RSC artistic director Terry Hands (4256 0441), and also in Georges Lavaudant's swift, exciting new version at the Comédie Française, with Redjep Mitrovitsa as a fiery Danish prince (4015 0015)

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Let's think boldly about education

MICHAEL PROWSE on AMERICA

I doubt you could find a politician anywhere who would challenge the need to improve education and training, especially for the less academically inclined. As the Detroit jobs conference illustrated yet again, policymakers are united in believing that better education can boost productivity and hence the supply of "high quality" jobs.

Given this consensus, thinking about educational reform remains bafflingly timid. Education is still organised according to guidelines advanced in the late 19th century. For the most part this antiquated model is unquestioned, even though we would be horrified if other aspects of social life were stuck in such a timewarp. Imagine, for example, if we still had to rely on the horse-and-buggy or the telegraph.

One typically 19th-century assumption is that education is something that sets you up for life. You are educated first, be it to age 16, 21 or whatever, then you enter the world of work, at which point you can happily stop learning.

There are two critical assumptions here. The first is that the pace of change is so slow that what you learn early in life will remain relevant decades later. The second is that people can be sorted for life according to their youthful educational attainment. The chap with an Oxford "first" is a genius for life; the 16-year-old school leaver (barring the occasional John Major) forever a dunce.

Both assumptions are palpably false. It is not socially or economically acceptable to write people off because they failed at school. Nor in today's fast-moving economy should anybody, whatever their age, assume they can rest on past educational laurels. We should be moving toward a new model in which work and education occur in tandem throughout our lives.

Yet little is done to promote greater flexibility in the timing of educational investments. Evening classes and distance-learning remain the Cinderella of education. Governments heavily subsidise young students, many of whom lack motivation, while largely ignoring the greater needs of adults struggling to combine work, child-rearing and study.

A change of mindset is required. In the US, higher education imposes a crushing financial burden on professionals (or their parents) because they do not enter the labour market until their late 20s. A typical pattern is four years of liberal arts followed by three years of law school or five years for a doctorate.

Yet if the sequence were reversed and the vocational qualification taken first, young people could start working in their early 20s. Less indebted, they could then pay out of pocket for whatever other education they need or desire. It ought to be regarded as normal to combine careers with continuing education of some kind.

The 19th-century model is outdated in countless other ways. Teaching methods are not keeping pace with technical change. When interactive multimedia technology theoretically permits students to learn efficiently at their own pace, most are still forced to absorb information slowly through the medieval lecturer and class "one size fits all" format.

The school day and the school curriculum are still salami-sliced into quite arbitrary fragments according to a long-outdated blueprint. School children, for example, are required to study natural sciences but not economics, which is not necessarily more demanding and far more relevant for daily life. This merely reflects the lack of clout of economics as a "new" academic discipline at the time when the modern school curriculum was being devised.

In Britain's ludicrously overspecialised universities, students can literally spend three or four years studying just one subject such as geography or French. And academics everywhere, for all their reputed intelligence, are as respectful of arbitrary demarcation lines as any forelock-tugging trade unionist. Few university economists, for example, would dream of gaining expertise in other social sciences. Each "expert" inhabits his own cell, largely oblivious of the work of scholars wearing different labels.

Why is the world of education – from kindergarten to post graduate study – so hidebound? The short answer, I fear, is that it is an enterprise that is almost everywhere dominated by the public sector. Without huge subsidies higher education simply would not exist on its present scale. And this might not matter: lack of university chairs did not exert much of a drag on the 18th-century Enlightenment.

As for schools, the paternalists deserve credit for achieving universal access. But the price paid is turning out to be steep. We now live in a topsy-turvy world where most parents are happy to spend large sums on cars, homes, gadgets and holidays but regard "free" state education as a natural right. If more people could be persuaded to regard education as a service for which they should pay at least something (preferably a lot), and hence assume some direct control, they might be amazed by the subsequent pace of reform.

As market forces took effect, teaching methods and curricula would rapidly adjust to meet the diverse needs of children. There would probably be a heavy investment in new technology and a resulting surge in teacher salaries, offset by a fall in educational employment.

The most revolutionary change is that schools' priorities and procedures would be determined not by tradition or government regulation, but by the ever-changing demands of customer-students. Is this so frightening a prospect, so appallingly undemocratic, that we must cling to a bureaucratic system that is a proven failure for up to 70 per cent of the population?

Pitted against past failures

Michael Smith on the outlook for companies mining collieries discarded by British Coal

At 59, he had never worked for a private sector company and his job for 36 years, with British Coal, ended when he was sacked. But that has not stopped him making one of the most remarkable debuts on the London Stock Exchange in recent years.

It is just six months since Mr Malcolm Edwards, former British Coal commercial director, took over as chairman of Geevor, a once renowned tin mining company. But since then shares in the company, renamed Coal Investments, have increased more than sevenfold in value to 76p. Although dealings in the shares have been suspended, pending a capital raising exercise, the company is likely to stand as a top performer of the past year when share transactions resume next week.

The achievement is striking in a sector where fortunes are declining fast and, as a result of the government's controversial pit closures programme, publicly. Moreover the company plans to make its money, initially at least, from pits rejected as unprofitable by British Coal. It currently owns one pit, a tiny mine in Wales which was rejected as uneconomic by British Coal several years ago. The market's main interest in Coal Investments, however, lies in its plans to lease at least three of the corporation pits closed recently.

Coal Investments is not the only company investors believe will thrive by mining British Coal's cast-offs.

RJB Mining, a mainly opencast group, has seen the value of its shares increase by more than twice the London Stock exchange average to 400p since its flotation last June. Investors approve of its plans to lease up to four mines closed by British Coal, one of which, Clipstone in Nottinghamshire, it is already operating.

Meanwhile at Betws in south Wales, a management buy-out team has attracted £2.5m of funds, mainly from Barclays Bank, to operate a mine closed by British Coal last year.

Of 28 redundant pits closed and put out to tender for leasing and licensing in the past year at least six are being reopened under private licence, and bids are being considered for another four. But are Coal Investments, RJB, and Betws Anthracite heading for a fall?

British Coal questions whether the market is big enough for all potential licensees to succeed. It also points out that the mines being reopened will turn out far less coal than they did under its stewardship – perhaps under half the amount.

The licensees argue the planned scale and methods of their pit operations will, together with their marketing, ensure profitability.

Mr Richard Budge, RJB chief executive, says British Coal "has the culture of nearly 50 years as a nationalised industry – with all the problems that brings in bureaucracy and industrial relations. We are starting with a clean black board and we are writing the numbers."

One burden on the pits which the private operators are shaking off is the "dead hand of the centre". Mr Charles Kernot, analyst at stockbroker Crédit Lyonnais Laing, explains: "British Coal has always suffered because, as well as running pits, it has had to perform tasks like keeping up to date plans for the industry and supplying the government with facts and figures. The licensed pits will not have to bear the share of centralised costs that management did under British Coal."

The new operators expect bigger benefits to flow from different mining techniques at some pits, from a change in workplace culture, and from a focus on household and industrial markets which some believe British Coal neglected in its pursuit of the larger electricity generating market.

Mining techniques vary considerably. Betws Anthracite's 90 miners will go back to the future by using explosives and their hands to hew the coal, rather than the "long wall" cutting machinery operating in most British Coal mines.

In the brave new world of leasing and licensing the role of unions will be limited

However, at RJB's Clipstone colliery, the only licensed pit reopened so far, there is no significant technological change. "What will be different," says Mr Budge, "will be the attitude of the men and the amount of time they use the machinery."

In the brave new world of leasing and licensing the role of unions will be limited. Neither RJB nor Coal Investments will bargain collectively with unions, although employees will be free to join unions which may represent them in cases of individual grievance.

Both companies want their workers to be shareholders. "That will concentrate their minds on the business," says Mr Edwards.

A new flexibility is also being encouraged in the workforces. At Clipstone, electricians are being asked to cut coal when there is a lull in their usual tasks.

Mr Alan Green, a British Coal employee for 14 years before being taken on by RJB, says: "At RJB we get more involved with other departments and tasks than at British Coal. I prefer that."

Mr Green and other workers say their earnings are comparable to their British Coal days – Coal Investments and RJB decline to disclose rates – but add they are prepared to work harder for it. Mr Budge predicts RJB's Clipstone will produce about 500,000 tonnes a year, half the tonnage under British Coal two years ago, but with a quarter of the men.

This, of course, is a target yet to be achieved. Successful though RJB has been in the past it has made its name largely in opencast mining. This requires different skills and techniques from those needed for deep mines, although RJB says it has doubled productivity in three years since taking over two small deep pits in Cumbria. And, in the case of Coal Investments, Mr Edwards has made his name as a marketing man rather than as a mining engineer directly involved in cutting coal, although his company, like RJB, is employing former British Coal managers.

Coal industry sceptics are concerned less with the ability of prospective licensees to cut costs than with the UK coal market. Initially, the licensees aim to displace imports of 1m tonnes-plus a year of coal for household consumption and 1.5m tonnes for general industry (excluding steel).

British Coal believes the licensees can aim for a market of 2.5m to 3m tonnes a year, but warns they will have to compete with coal imported from countries such as Colombia, South Africa and the US, and extracted by the companies which will own British Coal's assets after privatisation this year and next.

If British Coal's assumptions are right, perhaps five or six leased pits each producing about 500,000 tonnes a year, plus Betws producing 120,000 tonnes, could hope to remain in business. But even that might be optimistic. Mr Neil Clarke, British Coal chairman, spelt out the dangers when he said recently he expected some producers to be "squeezed from the market".

Mr Edwards counters by saying pit closures this year will deprive the market of another 750,000 to 1m tonnes of domestic and industrial coal a year. That increases licensees' potential markets.

Mr Budge also sees scope for displacing some of the 8m tonnes of coking coal bought abroad each year by British Steel. Moreover, he says British Coal's estimates also make little allowance for the possibility of cutting into the more than 3m tonnes of coal imported each year by the electricity generators.

Arguments such as these have made a deep impression on investors in Coal Investments, RJB and Betws Anthracite. For all three companies, however, the hard work is ahead. They will prove their worth only if and when they extract their targeted tonnages of coal consistently and cheaply from deep mines, and then sell it profitably to the markets which they say are there for the taking.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Lack of answers dogs Citizen's Charter

From Ms Elizabeth Symons.

Sir, In his Personal View article (March 17), William Waldegrave suggests that the Citizen's Charter is a "glass half full", and filling rapidly.

He went on to claim that the Financial Times had made the mistake of not recognising that his reforms in the public sector are far wider than merely charters, and involve privatisation and contracting out as well. The problem is that it is almost impossible to get any hard information from the minister for open government on exactly how much is being spent on these various reforms.

For example, in answer to the three parliamentary questions within one week on the value of consultancy contracts government ministers claimed that the information is either "commercial in confidence" (parliamentary questions to the trade and industry secretary January 31, and to the minister, Department of Health February 7) or that the work involved in preparing an answer would be disproportionate (parliamentary question to the minister, Welsh Office January 31). The minister claims that £100m was saved last year through market testing and contracting out but he will not give a detailed breakdown of the figures involved.

Equally, information on the value of consultancy contracts varies enormously. The Treasury will provide information on the value of such contracts, for example on job evaluation and auditing, but excludes all information connected with privatisation. Meanwhile, the ministry of defence is prepared to give a total value to all consultancies awarded including privatisation, and then excludes all consultancy contracts of less than £10,000.

Given these variations in practice, and the impossibility of eliciting true costs for these various reforms, the minister can hardly wonder that fundamental questions are raised at just how much value for money there really is in public sector reforms.

We now see a move towards contracts being awarded without competitive tendering; and answers to parliamentary questions since last March reveal many departments and agencies are not going out to tender before placing market testing consultancy contracts.

Until the minister, and perhaps as importantly Sir Peter Levene, the prime minister's efficiency adviser, can answer straightforward questions with straightforward answers there will continue to be suggestions that this single-minded policy is based more on dogma than common sense value for money.

Elizabeth Symons,
general secretary,
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Openness in US airline industry

From Mr Jochen Murach.

Sir, It is amazing to observe the way that American industry conducts its trade policies. On the one hand, it accuses the Japanese of shutting down their domestic market to foreign competitors. On that point, the Americans are certainly right. However, on the other hand, it would be logical if they behaved themselves the same way they demand from other countries. For example, the latest row over the BA-USAir code-sharing agreements ("US stalls over BA-USAir code-sharing", March 17) proves that contradictory attitude clearly.

Just as the Japanese companies enjoy their competition-protected home market, so the American airline industry still does on its domestic routes. The strategy, which is especially being pursued by American and Delta Airlines, to refuse foreign carriers access to the US "core" market does not correspond to the trade policy of market liberalisation, often lectured on by the Clinton administration.

It is time to bring the everlasting quarrel in the American airline business to an end. Good sense demands it.

Jochen Murach,
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Germany

Efficiencies alone will not be enough

From Ms Janet Langdon.

Sir, Last year, Mr Ian Byatt, director-general of Ofwat, the water industry regulator, requested water companies to canvass customers' views on a big scale. They were asked what improvements they would like, for their own benefit and for the benefit of the environment. They were also told the likely impact on prices of the options put before them.

It seems curious therefore that, to judge from your report of his recent speech ("Water companies told to cut costs", March 15), the regulator will not provide the water companies with the means, in his forthcoming review of price caps, to provide the quality of service customers desire.

Criticising the high profits of water companies in recent years, the regulator makes no reference to the fact that two-thirds of them have been re-invested in the business.

The companies will continue their already significant progress towards greater efficiency and cost cutting. But this alone will not square the circle.

Janet Langdon,
director,
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Jobs conundrum that must be tackled

From Dr Edward de Bono.

Sir, Your leader ("Summit for good jobs", March 16) rightly points out that the cyclical and structural unemployment considered at the G-7 jobs summit is not the whole story. Fine tuning existing concepts will not generate ideas needed to cope with the third type of unemployment, "conceptual unemployment". Such areas as non-commercial values, low risk entrepreneurship, non-transferable wealth and the protectionism of local currencies need thinking about.

At every point technology, design and competitive pressures will produce more value from fewer people. Within a few years full employment will produce more value than can possibly be absorbed by those who can pay for the value.

There is as much need for fundamental new thinking about economic habits as there is for new ideas about employment. The maximising mission of capitalism and the distributive mission of socialism are only the opposite sides of the same coin. We need new coins involving pluralism and parallelism in which different values have their own economies.

I suggest that the EU sets up a commission to do some seriously creative thinking about these matters now that the Detroit parade has elevated employment to the level of international concern rather than domestic housekeeping.

Edward de Bono,
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Out of the frying pan, into another empire?

From Manko Pekkulo.

Sir, Taking into account the conditions of the accession of Finland to the European Union, it is not misplaced to assert that "Finlandisation" was not that bad. Our national peculiarity was probably better protected under Soviet influence than by the treaty of the union. More realistically, we must accept that an empire has fallen and another is rising. After Sweden and Russia, now it's the time of Europe.

It is part of Finland's destiny to belong to some empire. Then just don't call it "accession", but "annexation"!

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Global warming

The world's first treaty on combating the threat of global warming – one of two conventions agreed at the 1992 Rio Earth Summit – becomes international law today. Last Wednesday in Geneva, 80 countries also reached broad consensus on setting up the Global Environment Facility, a $2bn fund to help developing countries pursue this goal.

These agreements represent some of the past decade's most ambitious attempts to tackle global "green" concerns. However, neither the treaty nor the fund come close to a solution.

The global warming hypothesis is that increasing amounts of "greenhouse gases" in the atmosphere – particularly carbon dioxide – will cause the planet to warm. Scientists say that it may take decades to establish or reject this theory conclusively. Nor will it be clear for years whether, if warming is occuring, its effects are damaging or beneficial.

Rio set out to find ways of curbing growth in emissions of these gases, in case the hypothesis proves correct. However the treaty, in the much-amended version which finally received agreement, requires signatories only to draw up plans for curbing emissions, not to make actual cuts.

The GEF is also unlikely to do more than scratch the surface of its task, given the small size of its budget and the dozens of countries petitioning for a share.

In practice, devising a workable agreement on curbing emissions is likely to be impossible. First, policing such agreements is hard since emissions are difficult to monitor. Second, countries will be tempted to renege, particularly if they are convinced that they will benefit from other countries' continued observation of the rules.

The greatest obstacle, however, is securing agreement on the distribution of cuts in emissions between different countries, given that any deep cuts are more than likely to slow economic growth. Developed countries see the rapid projected growth in emissions in China and India – and in Russia, should its economy revive – as the greatest threat to atmospheric stability. However developing countries may reasonably respond that the present atmospheric concentration of these gases comes from industrialised countries, which will continue to supply the bulk of emissions for years.

A more fruitful route may be to pursue the co-ordinated removal of subsidies to fossil fuels, particularly coal, which would also encourage energy efficiency.

Countries should also redirect their time and money towards considering how to mitigate the effects of climate change if it occurs. That could mean changing agricultural patterns, or even building dams around low-lying regions in case sea levels rise.

Governments showed at Rio that they wanted to take precautionary steps while global warming remains a potential but unproven hazard. These two approaches – eliminating subsidies and mitigating the effects of climate change – should provide the way ahead.

Italy's election

Which of two starkly contrasting versions of Italy's future will emerge from the elections due in less than a week's time? One version is the Italy of political confusion, where an old order has collapsed and politicians trade slogans over how to replace it. The other is the Italy of economic reform – of curbed budget deficits, low inflation, rising exports and privatisation. Will the election herald political as well as economic renewal, or will it intensify political uncertainty and thus risk undermining economic progress?

Probably it will do neither. The election is unlikely to deliver a clear-cut result that would break with the past of corrupt coalition politics. But nor need the ensuing turbulence derail economic reform. More likely, it will lead – after a period of party horse-trading – to formation of a government committed to the sensible reformist path charted by its two predecessors. *Plus ça change*...

To suggest that the new order will not be so dissimilar from the old might seem odd. Italy is experiencing an unparalleled upheaval, with most of its former political class discredited by scandal. For the first time voters appear to have a genuine choice between politicians preaching social democracy and others espousing conservative and economically liberal values.

But neither side seems likely to secure an absolute parliamentary majority. The hybrid electoral system may well produce a parliament just as fragmented as the last, while the alliances of left, right and centre will splinter as soon as the campaigning is over.

At least as important as the electoral arithmetic will be the economic constraints facing a new government. They are so severe that, in practice, the voters' choice may well turn out to be a mirage.

In the past two years, the technocratic governments of Giuliano Amato and Carlo Azeglio Ciampi have made great strides towards reducing the budget deficit, curbing the relentless rise in government debt, and encouraging wage restraint. Their efforts have brought a fall in interest rates and a devaluation-led surge in exports. But the virtuous circle they have created remains fragile, and the financial markets are on the alert for signs of back-sliding.

It is in this context that the politicians' sometimes extravagant campaign promises must be judged. Mr Silvio Berlusconi, the businessman leader of the Forza Italia movement, tantalises Italians with the prospect of a lighter tax burden without troubling to explain how it might be achieved. Translating this into government policy, however, would produce an instant lira sell-off and a rapid rise in interest rates.

Most informed Italians know that the real choice they face is between persevering with economic change and being ejected from the mainstream of European integration. The benefits of reform are already evident. If the politicians throw it off course, they will reap a bitter reward.

Atlantic flights

The US and Britain have stepped back from the brink of an airline trade war. We should be thankful for that. A tit-for-tat scrap would have harmed transatlantic passengers. It would also have put back the cause of global airline liberalisation since the two countries profess to be the keenest on opening the world's skies to competition.

But it would be too soon to celebrate. Washington's decision last week to extend for a year a ticket "code-sharing" arrangement between British Airways and its affiliate USAir merely buys time to break the logjam over creating an open skies regime between the two countries. Negotiations stalled when the US pulled out of talks late last year. There are still no plans to resume discussions.

What is needed is a bit more vision from the key players: Mr Federico Peña, the US transportation secretary, and Mr John MacGregor, his British counterpart. They must free themselves from a mercantilist perspective, whereby their negotiating positions have been driven by their national airlines. That is a recipe for procrastination and ultimate failure as the established players have an incentive to maintain their existing positions.

Instead, Mr Peña and Mr MacGregor should look to wider national interests. From this perspective, the benefits of opening the skies is great. The present bilateral agreement between London and Washington specifies which airlines can fly how often between which airports. Freeing up the system would lead to more competition and cheaper fares. It would also enable new air routes between the two countries to be opened up. Regional airports such as Manchester and Cincinnati would be the biggest gainers. Passengers would not need to travel so often to gateways like Heathrow and New York's JFK to catch their transatlantic flights.

Lower fares and greater convenience would boost traffic. This would have a knock-on effect on trade and tourism. It would also enhance Britain's position as Europe's principal hub for US flights and allow it to build on its comparative advantage in aviation vis-a-vis the rest of Europe.

This, in turn, would help Washington secure similar open skies deals with other European countries. At present, its only liberal regime covers traffic to the Netherlands. Though some progress was made last week in opening up traffic to Germany, the US has no agreement with France. If Paris and Bonn saw more of their transatlantic traffic being diverted through the UK following an open skies agreement with the US, they would have every incentive to follow suit. Such a dynamic of competitive liberalisation has been apparent in the telecommunications industry, also characterised by a maze of bilateral deals.

With so much to gain, Mr Peña and Mr MacGregor must set a date for new talks. With the right spirit, it should be possible to break the logjam.

The impact of derivatives on financial market stability is unknown. **Tracy Corrigan** asks if regulators should worry

On trial for dangerous dealing

There is a new breed of bogeymen in the financial markets – hedge fund managers, who make large bets on price movements using private clients' money.

They have been demonised, in particular, for driving bond prices down sharply last month by suddenly withdrawing bets on European bond markets. They had taken fright at the US Federal Reserve's decision to raise interest rates for the first time in five years.

The Bank of England is now investigating the activities of hedge funds – pools of money which are switched between financial markets to exploit short-term opportunities. Regulators worry that excessive lending to hedge funds could leave banks vulnerable to heavy losses.

But there is an aspect of the hedge fund industry that strikes greater fear into the hearts of regulators: their heavy use of derivatives. These are sophisticated financial instruments such as options and futures, which give investors the right (options) or the obligation (futures) to buy securities, currencies or commodities at a set price at a later date. Swaps (agreements to exchange interest rate or currency liabilities) are bilateral deals conducted "over the counter", while futures and some options are listed on exchanges.

Derivatives are already widely used by banks and securities houses; but the emergence of hedge funds – most of them unregulated – as significant players in the derivatives market worries market supervisors. The notional value of futures contracts traded on world exchanges is about $140,000bn a year.

One aspect of derivatives is that, for a small downpayment, the purchaser can control a larger portion of the market. For example, $10,000 could buy a contract to purchase $100,000 worth of bonds later. Such leverage means potential gains or losses are magnified.

To address their concerns about these instruments, US and UK securities regulators last week agreed to share information on derivatives trading. The move reflects an awareness that derivatives regulation is outdated – and possibly ineffective.

In most countries, regulators supervise specific types of companies – banks, insurers and securities houses, for example. But the derivatives market spans a range of financial institutions and national borders.

Regulators have two main concerns about derivatives. The first is that poor management or a lack of understanding of these complicated financial instruments could cause companies to incur heavy losses. For example, a trading subsidiary of Metallgesellschaft, the German oil and metals company, faces final losses of $1bn on dealings in the oil derivatives market last year. The second is the broader impact on other financial markets, particularly whether derivatives increase price swings and have a destabilising influence.

Banks and securities houses welcome volatility as it increases their opportunities to make money, either through trading their own capital or by charging fees to buy and sell on behalf of clients. But non-financial companies – and less sophisticated investors – do not like large price swings which could leave them facing losses. Central banks want to pull all the levers and do not like to feel that they are losing control of monetary policy.

Evidence that derivatives destabilise markets is, however, far from conclusive. No empirical study over the past 20 years has yet shown that derivatives increase volatility, and some have concluded they may even reduce it.

Most recently, in December a study of the effect of derivatives on the London stock market by Mr Gary Robinson of the Bank of England concluded that "futures trading has been associated with a significant reduction in volatility of around 17 per cent".

Other observers agree that derivatives markets may dampen volatility. During the sharp bond price falls in February market participants were able to trade bonds via the futures market when dealers became unwilling to quote prices in the underlying bond market. Mr Fred Stambaugh, a vice-president of Chase Manhattan Bank, says: "If there were no derivative markets, and traders had those heavy positions on their books, you would have seen greater movement in the [conventional] physical instruments, because a lot of what happens in the derivative markets is designed to diffuse risk."

But the academic evidence does not always impress market participants. "Various studies say there is a benign relationship between the two markets, but it certainly doesn't feel like that some days," observes one UK fund manager. It is not just a gut feeling of traders. There is a case for arguing academic studies have asked the wrong questions, or focused on excessively long time periods, which iron out glitches. "The sort of tests that have been conducted do not determine whether in abnormal conditions derivatives create volatility," says one regulator. One theory is that, in periods of volatility, because market participants holding futures have to provide for potential losses, they may have to sell other holdings to generate the extra cash needed.

A likely explanation for the divergence of views is that derivatives produce different effects depending on market conditions. Moreover, their impact could vary according to whether they are used mainly to hedge risks, or to speculate on markets. The worrying feature about hedge funds is that – despite their name – the latter is more usually the case.

One problem in isolating the effects of derivatives is that they have become an integral part of a fast-evolving world financial system. A decade ago fund managers were concerned mainly with their own domestic stock or bond markets. But the dismantling of regulatory barriers and improvements in the infrastructure of financial markets have allowed investors to gain access to a wider range of products.

Derivatives have heightened that trend. Because transaction costs are lower and derivatives are often more actively traded than conventional instruments, it is easier, for example, to switch from the German to the Japanese stock market by using futures rather than by selling a portfolio of individual stocks.

"Derivatives have created much greater linkage between markets, and the leverage involved means that positions can turn much quicker," said Mr Carter Beese, a commissioner at the Securities and Exchange Commission, which regulates the US securities industry.

The trend towards global investment may itself be partly responsible for increasing volatility. When a particular market looks attractive, large amounts of capital flow in from around the world – and out again quickly when fortunes turn.

At the same time, there has been a trend towards pooling money – retail investors are now more likely to buy unit trusts or mutual funds. Wealthy individuals may turn to hedge funds.

"The speculative side of the business has been institutionalised and the markets are now driven by the interests of the new institutional speculators," says Mr Hunt Taylor, managing director of Reynwood Trading Corporation, a New Jersey-based hedge fund.

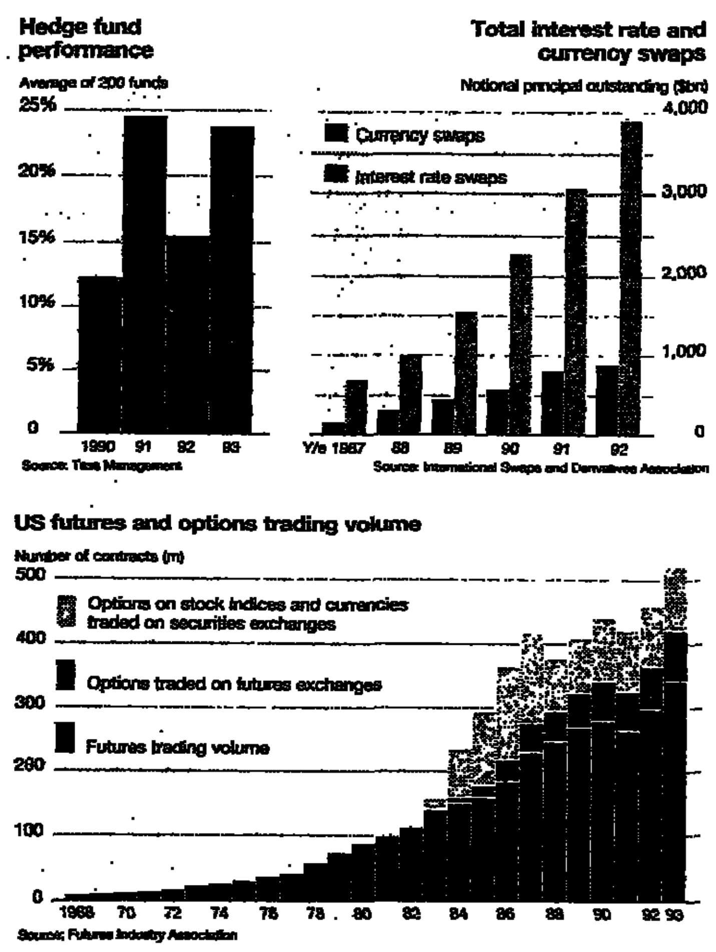
The risk regulators face is that the rapid evolution of the world's financial markets may have created a potentially dangerous cocktail of aggressive traders, speculative investors, and highly complex financial instruments which users might not fully understand.

In the US, where memories of the cost to taxpayers of bailing out the troubled savings and loans industry in the 1980s are still fresh, efforts are being made to monitor derivatives across a broader range of users. A working group on financial markets, with representatives from the relevant US regulatory bodies, meets regularly.

Such co-operation between regulators, not just in the US but elsewhere, seems an obvious way of identifying the risks which derivatives may be creating. That thinking lay behind last week's agreement between the SEC, the Commodities and Futures Trading Commission and the UK's Securities and Investments Board. Such an approach may be needed in other financial markets, anyway, given the trend towards internationalisation.

Beyond that, it may be necessary to accept that markets have become liable to big swings, which can have a knock-on effect across continents and time-zones, and that they are the result of the liberalisation of financial markets heralded since the start of the 1980s.

Derivatives: bigger slice of the action



Russia finds independent foreign policy

PERSONAL VIEW

The electoral success of Vladimir Zhirinovsky's Liberal Democratic Party has – naturally – made the future direction of Russian foreign policy an important international issue.

The emergence of a movement like Zhirinovsky's was predictable. It was a normal reaction from those strata who are suffering economically, who have witnessed the disintegration of the Soviet Union, which they thought would be their homeland for centuries, and who are now left with no vision of where their country is going.

If, however, a lesson has been learnt – and it looks as if President Boris Yeltsin is learning it – it is that Zhirinovsky is a dark cloud on the horizon but not the horizon itself. There is still a long way to go before we glimpse light. But the road to normalcy is the one Russia is on.

Being normal naturally means having a normal foreign policy. This is now emerging; and it is emerging in direct reaction to the recent past, the period immediately after the failed coup of 1991 and the emergence of Russia as an independent state. During that period, Russia was too inclined to say "yes" to our new friends in the West – even before being asked to. We suffered a temporary loss of our vision and of our ability both to understand, and act in, our own interests. This created a backlash.

Under foreign minister Andrei Kozyrev, an attentive listener, Russian foreign policy has since made big adjustments while never changing its basic course towards strategic rapprochement with the west. It is now better formulated and less one-sided. It has achieved a significant success in persuading the Serbs to pull back from Sarajevo. It is focusing much more than before on the Commonwealth of Independent States and on former partners in Europe. And it is active in Asia, too.

Russia has learned to express its differences with others as well as to chorus its assent. Differences have centred on former Yugoslavia and on the continuing inaccessibility of Western markets to our goods; in particular, Russia's ruling elites and the increasingly influential military oppose plans to enlarge Nato by admitting east-central European states (but not Russia), believing this threatens Russia with geopolitical isolation.

At the heart of the problems and tensions between Russia and the west is, and will remain, the relations Russia strikes with the former Soviet republics.

In autumn last year, Russia took decisions which forced most CIS countries out of the rouble zone. The decisions were prompted by exasperation at the lack of reform in these states, especially Ukraine, and by Russia's unwillingness and inability still to subsidise them.

Russia has learned to express its differences with others as well as to chorus assent

In any reintegration of former Soviet states, Russia will play a different role from that in the old Soviet Union (which was a strange combination of political metropolis and economic colonies) or in the first two years of the CIS's existence. During the latter, Russia was uncertain about how to proceed; it knew it could no longer be donor and boss but it did not know whether to increase separation or try a new form of re-integration.

Now, it seems, there is a growing consensus. Most feasible regimes in Moscow (except for a national socialist one, which would try to force political reintegration) would probably attempt a modality under which CIS countries would remain independent politically but be dominated economically. No sane politician in Moscow would choose to take responsibility for managing both the surrounding weak economies and their turbulent societies – as that would mean taking responsibilities off the shoulders of local leaderships and free them to blame Russia for all their ills. Russia also cannot afford total separation, nor a policy of benign negligence.

In this model, Russia would play the role of first among equals in interstate relations in the CIS – rather like the US in Nato, or Germany in the European Union – but not big brother protecting and feeding his younger kin (though elements of these roles will remain).

Russia will also have to continue to be a local peace keeper or peace enforcer. To do this effectively and avoid becoming a militaristic state, Russia needs two conditions fulfilled. First, her role as peace keeper should be legitimate; and second, it should be part of an international effort – under the control of international organisations and constrained by international law. That would deter Moscow from unlimited use of military power and ultimately dangerous unilateralism.

Russia is now beginning to act – but neither as the former Communist *enfant terrible* nor as the terribly nice guy of the late Gorbachev/early Yeltsin period. Is the west ready to part with this nice guy, this Mr Yes – and work with an independent partner and prospective ally? I trust the answer will be in the affirmative – though, of course, I well understand how nice it was to talk with Mr Yes.

Sergei Karaganov

The author is deputy director of the European Institute of the Russian Academy of Sciences and a foreign affairs adviser to President Yeltsin.

OBSERVER

Going for a song

■ If ICI's first joint venture in mainland China – a £15m paint factory – is not a success, blame the astrologers and not ICI chairman Sir Denys Henderson.

Its opening was dictated by a soothsayer who figured March 18 was the day which would provide the proud owners with the maximum amount of good fortune. As an extra precaution, ICI laid on 60 lion dancers to frighten away any lingering evil spirits.

However, the highlight of the opening ceremony was the premiere of the ICI song, specially composed by Chen Shuliu of the Guangzhou conservatory, with vocals by Miss Zhu, a police lady, backed by the brass band of the local People's Liberation Army unit. Sir Denys was particularly moved by a bit in the song which compared ICI to China's three great river systems - the Yellow river, Yangtze river and the Pearl river.

Mind numbering

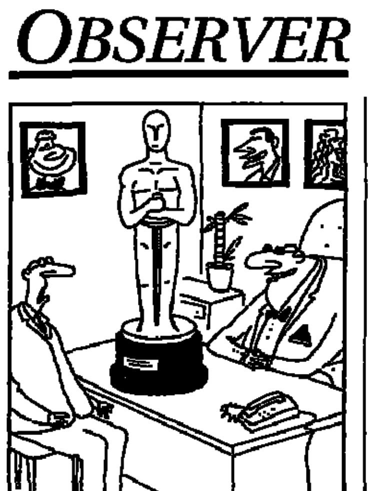
■ Clearly lucky numbers are big business in that part of the world. A licence plate bearing the number 9 was bought by businessman Yeung Sau-shing for a record HK$13m (US$1.6m) at a Hong Kong government auction on Saturday. Certain licence plates are hot properties because some digits, when spoken in Cantonese, sound like desirable words. "Nine" sounds like the word for "dog" and is considered lucky because 1994 is the year of the dog in the Chinese lunar calendar.

Research bonus

■ Much mayhem in Australian stockbroking circles – or, more precisely, the upper echelons of Ord Minnett, one of the country's largest broking firms which recently bought itself out from Westpac with the help of Jardine Fleming.

Neville Miles, Kerry Packer's old chum who organised last year's MBO, has been deposed as joint managing director after losing the support of his troops. Matters came to a head when half a dozen top analysts and the head of the London office threatened to move to James Capel, which is desperate to be a big player in Australia.

It is the second top management upheaval at Ord Minnett in less than a year and the swift response to the threatened defections may have been prompted by memories of what happened when S G Warburg took control of Potter Partners. The nucleus of Potter's research team defected to County NatWest's Australian operation and quickly turned it into number one in its field.



'I had no idea there was an Oscar for hype'

Peer pressure

■ Say what you will about Sir John Banham, the former director general of the CBI, he keeps rattling the establishment cage. His criticisms of the way Britain is run in his new book, *Anatomy of Change*, will not endear him to Whitehall mandarins, and he has not made his chairmanship of the Local Government Commission any easier by highlighting the Government's own inability to make up its mind.

Given that Sir John has just added the chairmanship of Tarmac to his growing portfolio of directorships, he could be forgiven for wanting to lighten his load of public duties in order to concentrate on his business career.

However, Sir John's job of reviewing local government is only halfway through and he insists he has every intention of staying on until the task is finished in about a year's time.

That sort of devotion to public duty is surely worth a peerage. Will it be Lord Banham of Avon, covering Gloucestershire, Somerset and Bristol, or Lord Banham of Centrepoint?

Full circle

■ Meanwhile, Lord Walker of Worcester, Britain's first Environment minister, must feel a sense of déjà vu at his party's latest U-turn on out-of-town shopping centres.

Back in 1971 Peter Walker, as he then was, attended a conference of the cities in Indianapolis where he learned first hand about the social problems caused by US shopping malls in terms of unnecessary congestion and inner city decay. On his return to Britain he issued a circular to local authorities urging them to resist the advances of hypermarkets.

If John Gummer, the environment secretary, wants to give local authorities further guidance on the perils of out-of-town shopping he could do a lot worse than re-issue his predecessor's advice.

Probably only needs a change of date.

Socks pulled up

■ Ever since the Los Angeles Times flagellated itself for publishing a "staged" picture of a weary firefighter cooling himself by a swimming pool, the earnest US press has struggled to assert its photographic correctness.

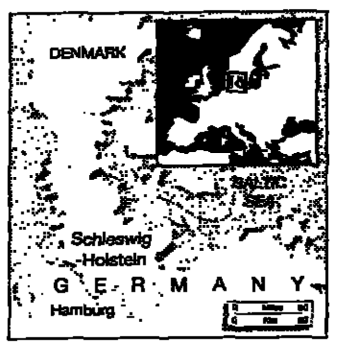
Hence, an agency picture of Socks, the US presidential cat, commanding the podium in the White House briefing room has had to be accompanied by a note to editors explaining that the person taking Socks for a walk "was unprompted to place cat on podium".

Don't tell me it was Socks' idea.

FINANCIAL TIMES
Monday March 21 1994

Main parties lose out in German local elections

By Quentin Peel in Bonn



Both Germany's main political parties, Chancellor Helmut Kohl's Christian Democrats, and the opposition Social Democrats, suffered a significant loss of support in local elections yesterday in the northern state of Schleswig-Holstein.

In contrast to the last elections to the state parliament in 1992, however, extreme right-wing parties failed to capitalise on their unpopularity, and the main beneficiaries were the environmentalist Green party candidates.

First trend estimates of the results in Schleswig-Holstein, where the Social Democratic Party (SPD) controls the state government, showed 38.7 per cent support for SPD candidates, and 37.6 per cent for the rival Christian Democratic Union (CDU). That amounts to a 4.2 percentage point drop in support for the SPD compared with the last local council elections there in 1990, and a 3.7 percentage point drop for the CDU.

The Greens were forecast to improve on their score from 6.1 to around 10.6 per cent, while the Free Democratic party (FDP), the coalition partner of the CDU in Bonn, slipped from 6.1 per cent in 1990 to under 5 per cent yesterday.

The Schleswig-Holstein elections are the second poll out of 19 due in Germany this year, culminating in the general election on October 16.

Although local elections usually see a lower turnout for the big political parties, these polls confirm the trend of disaffection not just with the ruling CDU and FDP, but also with the opposition SPD.

On the other hand, the failure of the far right-wing Deutsche Volksunion (DVU) to match the 6 per cent it won in the 1992 state election suggests that the surge in support for right-wing extremists has peaked. Last week, the Republicans, another far-right group, won only 3.9 per cent in neighbouring Lower Saxony.

The likely outcome means another good result for the Greens, who look increasingly certain to win their way back into the national parliament in October.

It is a disappointing result for the Social Democrats, although the setback was expected. The ruling party in Schleswig-Holstein has been hit by the resignation last year of its leader, Mr Björn Engholm, and continuing investigations into the circumstances in which he first defeated the CDU in 1987. Although the party suffered only a 4.2 percentage point drop in support compared with the last local elections there, it was 7.5 points down on the 1992 state election result.

The CDU is also disappointed, since it had hoped to push the Social Democrats into second place.

Dublin willing to 'build on' temporary Ulster ceasefire

By Tim Coone in Dublin

The Irish government sought to breathe fresh life into the Northern Ireland peace process yesterday by indicating that a temporary ceasefire by the IRA would be welcomed in Dublin.

Speaking on Irish radio, Mr Dick Spring, the foreign minister, said a temporary ceasefire would be "a step in the right direction".

The Irish government's decision to encourage a temporary ceasefire contrasts with the previous approach in both London and Dublin of concentrating on the prospects for a permanent cessation of violence.

Mr Spring said the Irish government would "encourage" the IRA to move to a permanent end to violence, and "would want to build upon" a temporary ceasefire.

Mr Spring's comments followed weekend reports of an interview given to New Century, a left-wing British magazine, in which he appeared to suggest that a temporary ceasefire could help to break the deadlock in the peace process.

In remarks intended to reassure unionist opinion, Mr Spring said Dublin's view on the timing of talks with the republican movement remained "very firm".

"I have to repeat that we will not negotiate with the IRA/Sinn Féin as long as they support violence. If they want to enter the political process, there has to be a permanent cessation of violence and a very firm declaration to that effect," he said.

That formula fits in with the consistent approach by the British government since the publication of the British-Irish Downing Street declaration on Northern Ireland in December.

But Dublin's increased willingness to welcome a temporary ceasefire appeared to take the British government by surprise.

The Northern Ireland Office was unwilling to endorse Mr Spring's views. Officials would say only that Sinn Féin could enter exploratory talks with the British government within three months of a permanent cessation of violence.

In the New Century interview, parts of which were published yesterday in Britain's Observer newspaper, Mr Spring appeared to indicate that a temporary ceasefire could be built upon "without making concessions" to Sinn Féin or the IRA.

In the interview, two weeks ago, Mr Spring said the republican movement's strategy appeared to be to offer a temporary cessation of violence "in order to sit down round the table with other nationalist parties". He said that would "pose a bit of a dilemma".

The apparent contradiction in Dublin's position would seem to lie in a semantic distinction being drawn by Dublin between "talks" and "negotiations".

An Irish government spokesman was unable to confirm or deny that talks, either directly or indirectly with Sinn Féin – as distinct from negotiations – could take place after a temporary IRA ceasefire.

Italy to speed up telecoms sell-off

Continued from Page 1

nary and savings, 2.4 Sip shares will be issued.

There will be 2.0 Sip ordinary shares for each ordinary share in Telespazio, the satellite operator, and 4.25 Sip ordinary shares for each ordinary share in SIRM, the maritime telecoms operator. A total of 3.150 Sip ordinary shares will be exchanged for each share in Iritel, which is involved in the domestic long-distance network and international traffic.

After the merger Telecom Italia will have a share capital of L7,277bn. Stet will see its stake in the five fall slightly to 55 per cent while Iri, the state umbrella company which controls Stet, will hold nearly 3 per cent. The remainder will be in the market.

Shareholders of the five are expected to approve the merger in May. Financial results revealed at the weekend showed that Sip increased sales by 8.6 per cent last year to L23,404bn, with net profits up 42.7 per cent at L657bn and a dividend on ordinary shares increased by 13.3 per cent to L85. The star performer was cellular phones, with the number of subscribers rising by 54 per cent to 1.2m.

Risk grows of Tory split over extension of EU

By Kevin Brown, Political Correspondent, in London

The prospects of a damaging split in Britain's Conservative party over enlargement of the European Union increased yesterday as opinion hardened on both sides of the English Channel ahead of a crucial meeting tomorrow in Brussels.

Senior ministers insisted that the crisis over the entry terms for Sweden, Finland, Norway and Austria would be resolved by the Union's foreign affairs council.

But leading members of the council, the Commission and the European parliament said Britain would have to accept substantial changes in the Union's system of qualified majority voting.

Backbench Conservative MPs, including some not normally regarded as anti-European, said any retreat by the government would precipitate a crisis in the parliamentary Conservative party.

Mr Michael Portillo, chief secretary to the Treasury, said he was confident that Mr Douglas Hurd, foreign secretary, would achieve a compromise allowing enlargement to go ahead.

"Britain's vital national interests have to be protected at this point. I am pretty clear that can be made compatible with an agreement. But I think the idea that this whole thing is going to sink on British obduracy is really an invention," he said.

Mr Portillo also claimed that the government's reluctance to allow changes in the voting system would help the Conservatives in the European parliament elections on June 9.

He said: "I don't think British people want to be swept along by a tide. They want to know there are certain rights protected in the EU."

However, Mr Niels Helveg Petersen, the Danish foreign minister, said there could be no compromise based on Britain's wish to retain the existing voting system, under which 23 of 76 votes form a blocking mechanism in the Council of Ministers.

Mr Helveg Petersen said most member states would probably accept Greek proposals for a move to a blocking mechanism of 27 votes out of 90 in the enlarged council, combined with a one-month cooling-off period to allow reflection.

Mr Leo Tindemans, leader of the European People's party, the transnational grouping to which the British Conservatives are affiliated, said no compromise would be acceptable unless it involved a move to 27 votes.

Mr Hans van den Broek, commissioner for foreign affairs, said there was "amazement" among Britain's EU partners that the government was prepared to risk delaying enlargement.

THE LEX COLUMN

The currency factor

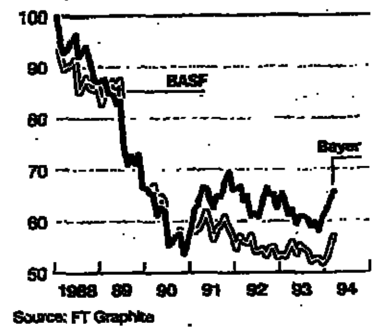
The Bank of England seems concerned that companies may have used devaluation to boost margins rather than increase overseas sales, and recent trade figures give some support to that idea. Such windfall profits gains might also be expected to have an impact on earnings. The art is knowing in which sectors it has been strongly felt when in aggregate the currency benefit seems modest. Brokers' estimates for the non-financial part of the FT-SE-A All-Share index show that currency gains account for about 3.5 per cent of total earnings and around 10 per cent of the increase over last year.

Hedging of currency risk may mute the impact, but even in 1994 currency gains are likely to be modest. The aggregate numbers may be misleading. The utilities and stores sectors are almost entirely sterling-based. Some sectors, notably pharmaceuticals, are, by contrast, strongly affected. Still, overall for 1993, falling interest costs have had almost twice the impact on earnings, and are likely to be an even more important factor this year.

Currency and interest bills will moderately flatter the earnings recovery, but the bulk of the 18-20 per cent rises estimated for 1993 will come from productivity gains as slack is taken up. While the economy will expand faster this year, earnings rises are likely to remain around 20 per cent, and will be more dependent on volume increases. With such a marked variation in currency and interest effects, it would be worth taking a close look at companies' 1993 report and accounts as they plop through the letter box over the next few weeks.

German chemicals

Share prices relative to the DAX index



Source: FT Graphite

Media

The media sector has been wafted higher on a breeze of good news over the past year, outperforming the market by 26 per cent. The promise of an upturn in advertising spend, the high operational gearing of many companies, television bids, and racy headlines about the wonders of multimedia have fuelled demand for media stocks. But the rise has been somewhat indiscriminate. It now appears there are some worrying cross-currents in the wind for printed as opposed to electronic media stocks.

Recent media groups to have reported, such as Reed Elsevier and Mirror Group Newspapers, have seen little or no top line sales growth. Big paper producers, such as Arjo Wiggins Appleton, MoDo, and SCA have also been talking excitedly about the possibility of pushing prices higher. Demand for paper is increasing as Europe's economies claw their way out of recession. The pick-up in UK advertising has already been translated into fatter newspapers. Merchants are restocking in the belief that the paper cycle has turned. Utilisation rates in many paper mills seem set to climb to more than 90 per cent.

Fine papers for magazines have already experienced strong price rises this year. Newsprint prices, too, appear to be pushing upwards – or, at least, discounts are being reduced. Many publishers have locked into fixed price contracts for newsprint for months ahead. But those companies which are more reliant on circulation than advertising revenue could yet experience a nasty margin squeeze. It is time to pick media stocks more selectively.

German chemicals

Results from the big three German chemicals companies – Bayer, BASF and Hoechst – have struck an unexpected note of optimism. Dividend cuts aside, the figures were marginally better than expected. More importantly, all agree that chemicals markets turned some time in the fourth quarter, since when improving conditions in the US have offset only gentle decline in Europe. If that improvement is sustained, investors judged the turn quite neatly: the shares of each have outperformed the German market by up to 10 per cent from a low-point in November.

There are still reasons for caution. While the outlook in industrial chemicals is improving, agrochemicals and pharmaceuticals could act as a drag. History suggests that benefits flowing from a turn in the chemicals cycle will not be spread evenly. Bayer and Hoechst outpaced the German equity market from mid-1983 to mid-1984, the year after European economies turned. BASF's higher exposure to petrochemicals delayed similar outperformance until 1987. Given the scale of overcapacity in plastics markets, that pattern could be repeated.

While costs are being cut and markets are no longer deteriorating, though, earnings growth looks assured. The steady stream of restructuring announcements – such as Hoechst's plan to spin-off its fibres business – points to an encouraging emphasis on self-help. If the companies can avoid the temptation to retrench as European economies improve, the combination of earnings recovery and attractive yields will prove difficult to resist.

UK mortgages

Signs of a life in the UK housing market prompts the question of who will win the extra mortgage business. The banks' share of net new lending has grown to the point where last year it equalled that of building societies for the first time. Despite the jump of more than £1bn in new lending commitments by building societies in February, the market still looks tilted in favour of the banks. Not only are building societies constrained by limits on wholesale funding. Their regulator has also showed signs of restiveness about the amount of fixed-rate business they do. Taken too far, it could lead to a noticeable reduction in their overall margin without any compensating fall in risk.

The trend could be distorted by the fact that Abbey National is likely to give up some of last year's abnormally high 18 per cent share of the new mortgage market. But it looks as though banks will again have a high share of what for them has turned out to be a particularly lucrative source of operating profit. Less certain is whether higher volume will be sufficient to preserve the juicy interest spreads of some 2.5 percentage points which banks have been earning on variable rate mortgages. Such spreads are already tempting back foreign banks and centralised lenders who fund entirely in the wholesale market. If the government's present review leads to building societies being allowed to raise more wholesale money, they too would be scrambling to win back some of the market share they have lost.

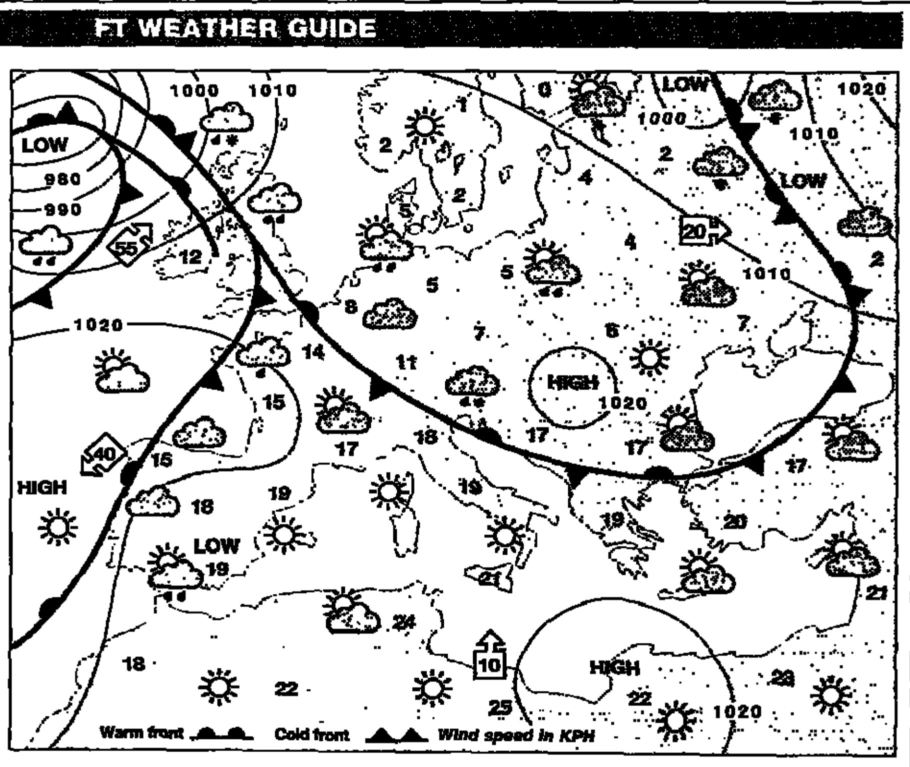
FT WEATHER GUIDE

Europe today

Scandinavia will be cool with scattered patches of snow as an area of low pressure moves across Finland and on to the east. From the west, a ridge of high pressure will keep showers at bay in south-west Europe. Rain clouds will cover Scotland and northern Ireland, but both areas will be dry at times in the afternoon. South-westerly winds will increase to near gale or gale force. In Germany and the Benelux countries, cloudy skies and local showers will be interspersed with sunny spells. Sunny and spring-like conditions will dominate southern Europe. However, along the north-west coast of Spain, it will stay cloudy and breezy. Rain clouds will remain stationary along the north side of the Alpine countries with snow expected above 1200-1500 meters.

Five-day forecast

Northern and western Europe will stay unsettled with a strong westerly current still active. During the week, milder air will head north and produce higher afternoon temperatures in western Europe. Southern Europe will remain sunny, but, from Wednesday, some showers will develop over the eastern Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES (Maximum Celsius)

Abu Dhabi	sun	30	Belfast	drzzl	11	Cardiff	cloudy	12
Accra	cloudy	33	Belgrade	fair	15	Chicago	fair	10
Algiers	fair	21	Berlin	shower	6	Cologne	cloudy	8
Amsterdam	fair	8	Bermuda	shower	22	D' Salaam	fair	30
Athens	sun	20	Bogota	cloudy	20	Dakar	fair	27
B. Aires	fair	23	Bombay	hazy	34	Dallas	fair	23
B.ham	cloudy	11	Brussels	cloudy	9	Delhi	fair	35
Bangkok	cloudy	35	Budapest	fair	12	Dubai	sun	28
Barcelona	sun	17	C.hagen	fair	4	Dublin	cloudy	12
Beijing	fair	9	Cairo	sun	23	Dubrovnik	fair	17
			Cape Town	fair	27	Edinburgh	drzzl	9
			Caracas	fair	28	Faro	cloudy	18

Frankfurt	drzzl	9	Malta	sun	22	Rio	thund	32
Geneva	cloudy	13	Manchester	cloudy	10	Ryadh	sun	30
Gibraltar	sun	19	Manila	hazy	34	Rome	fair	17
Glasgow	rain	8	Melbourne	sun	29	S. Frsco	fair	15
Hamburg	shower	7	Mexico City	sun	25	Seoul	cloudy	12
Helsinki	snow	-1	Miami	fair	30	Singapore	thund	31
Hong Kong	cloudy	24	Milan	sun	17	Stockholm	fair	2
Honolulu	shower	27	Montreal	cloudy	4	Strasbourg	rain	13
Istanbul	cloudy	14	Moscow	cloudy	2	Sydney	cloudy	23
Jersey	drzzl	10	Munich	rain	10	Tangier	cloudy	17
Karachi	sun	34	Nairobi	fair	26	Tel Aviv	fair	21
Kuwait	fair	28	Naples	sun	19	Tokyo	fair	9
L. Angeles	sun	19	Nassau	fair	30	Toronto	rain	7
Las Palmas	fair	21	New York	cloudy	12	Tunis	sun	24
Lima	fair	27	Nice	sun	17	Vancouver	shower	9
Lisbon	cloudy	18	Nicosia	fair	20	Venice	fair	15
London	drzzl	12	Oslo	fair	2	Vienna	drzzl	12
Lux.bourg	drzzl	8	Paris	cloudy	14	Warsaw	shower	4
Lyon	fair	15	Perth	fair	33	Washington	shower	16
Madeira	cloudy	19	Prague	cloudy	7	Wellington	fair	18
Madrid	fair	19	Rangoon	hazy	35	Winnipeg	cloudy	3
Majorca	sun	20	Reykjavik	sleet	3	Zurich	drzzl	12

FINANCIAL TIMES
COMPANIES & MARKETS

Monday March 21 1994

Banks join to bid for privatisation work in Britain

By Alison Smith in London

An alliance between Kleinwort Benson, the UK merchant bank, and BZW, the investment banking arm of Barclays bank, in bidding to become the UK government's adviser on the next stage of electricity privatisation, could mark the start of a trend in joining forces to win such work.

BZW confirmed yesterday that it had teamed up with Kleinwort to bid for the task of selling the UK government's remaining 40 per cent stakes in National Power and PowerGen, the two UK electricity generators. The sale is expected to raise more than £4bn ($5.84bn). Both banks will be involved in giving advice and in placing the shares.

Kleinwort Benson advised on the original privatisation, while BZW was lead financial adviser to the government over the sale of the Scottish electricity companies, and advised Northern Ireland Electricity over its privatisation.

Written presentations have already been submitted, and the competing banks will present in person to the UK Treasury today. Warburgs, which advises PowerGen, is not seeking the task, and other merchant banks would also face conflicts of interest in applying: Schroders, for example, advises National Power.

"The government is faced with quite a difficult task in finding in one house the range of advisory and distribution skills they're looking for," one banker said yesterday. "It wouldn't be surprising if a number of alliances were being forged."

Another banker pointed out that it was more commonplace elsewhere for banks to join forces. "We could be seeing the start of a trend that has come across the other side of the Atlantic," he commented.

Last year, for example, First Boston teamed up with Merrill Lynch to win the mandate to act as global co-ordinators in privatising YPF, Argentina's national oil company.

The timescale for the sale of the government's residual stake in the generators remains uncertain, although the UK Treasury is keen to get the proceeds in the 1994-95 financial year.

Rescue near for Crédit Lyonnais

By David Buchan in Paris

The French government is this week expected to unveil its rescue package for Crédit Lyonnais, the state-owned bank which is set to announce on Thursday a hefty loss for 1993.

The government is ready to inject around FFr4bn ($660m) of fresh capital into the bank, according to recurrent press reports. It could also take much of the bank's non-performing property loans and put them into a new state-backed company.

Crédit Lyonnais has refused to comment on a report in the Nouvel Economiste weekly that last year's losses would total FFr4.5bn, despite a sharp reduction in provisions against bad loans because some FFr40bn of these loans would be shifted into a shell company. This new company would be financed by a Crédit Lyonnais loan, but this would be guaranteed by the state which would bear any losses on the loans.

In its 1992 annual report Crédit Lyonnais said its exposure on direct property lending amounted to FFr24bn. Of this "a fraction seems compromised" and therefore it only made a provision of FFr6bn. The Nouvel Economiste article claims that the bank was grossly under-provisioned and had told the finance ministry that – in the absence of a state rescue – FFr22.5bn of provisions would be required in its 1993 accounts. Of this, FFr13bn would be to cover property loans, with the rest for industrial loans and shareholdings.

If the state is willing to take over responsibility for FFr40bn of Crédit Lyonnais' bad loans, "this would be good news for the bank, though perhaps bad for the taxpayer", according to Mr Stephen Arrouays, a banking analyst with the BZW brokerage house. "Clearly, there has been a lack of control by Crédit Lyonnais' state owner, for which the state would be making amends," he said.

Some private French banks, as well as the European Commission, may question the state aid for Crédit Lyonnais, and insist the bank should make some matching sacrifice. Mr Jean Peyrelevade, the new head of Crédit Lyonnais, has signalled his willingness to do this by announcing that the bank will sell some FFr20bn of assets over the next two years. It has already sold its stake in Essilor, a maker of spectacle lens, to St Gobain, the glass group, and its share in TF1 to the television station's main shareholder, Bouygues.

Euro Disney, the troubled leisure group that last week agreed terms with its banks for a FFr13bn ($2.17bn) rescue package, has suffered a sharp fall in attendance over the past year, according to Mr Philippe Bourguignon, chairman, writes Alice Rawsthorn in Paris. One cause of the decline was a steep reduction in the number of British visitors. The UK was one of EuroDisneyland's largest markets in the park's first year, but the pound's weakness against the French franc triggered a fall in British bookings. **Details, Page 17**

Deborah Hargreaves explains a change in the market for coffee, sugar and cocoa

Soft commodities, hard prices

Five years ago coffee and cocoa farmers worldwide were leaving crops to rot in the fields after a spectacular collapse in commodity prices. Today, the picture is different as prices for "soft" commodities such as coffee, sugar and cocoa are surging, encouraging financial investors to turn their attention to these previously unsophisticated markets.

Prices have been buoyed by crop difficulties, rising consumption and declining world stocks for coffee and cocoa. The end to the recession in many countries is expected to fuel demand.

Rising prices and an upturn in speculative interest in the soft commodity markets has resulted in financial investors returning to commodities after an absence of several years.

"New capital is increasingly focused on commodities and this is reflected by growing exchange membership among international finance houses and banks," says Mr Robin Woodhead, chief executive of the London Commodity Exchange. Poor returns expected on world bond markets have also encouraged institutional investors to put cash into commodities. Even the metals markets, where world stocks remain high, are benefiting from renewed interest in basic commodities.

But it is not just speculation that is fuelling this year's rise in the soft commodity markets. Coffee, cocoa and sugar crops are all expected to be lower than forecasts for world consumption – leading to a deficit, to be made up from stockpiles.

Cocoa prices reached a five-year high at the end of last year with prices breaching £1,000 a tonne on the London Commodity Exchange after forecasts of a growing shortfall in production. Prices remain firmly above £950 a tonne and production is expected to be between 120,000 and 170,000 tonnes lower than consumption.

The International Sugar Organisation last week revised its deficit forecast to 2.4m tonnes this year – just over 2 per cent of world consumption – from 1.4m tonnes in December.

Prices have risen by almost 20 per cent for both raw and white sugar with the May futures contract at New York's Coffee, Sugar and Cocoa Exchange reaching more than 12 cents per lb last week.

Similarly, coffee prices hit their highest level for 19 months last week when the LCE's second position futures contract touched $1,341 a tonne. Coffee prices have also received a boost from the operation of a producers' retention scheme.

Last October, 40 coffee-producing countries put together a plan to withhold up to 20 per cent of supplies from the export market until prices increased. This followed a dramatic collapse in the coffee market when prices fell to their lowest level since 1974.

The retention scheme has been successful in adding to investors' fears of a squeeze on stocks.

Goldman Sachs, the US investment bank, works out production costs for commodities each month. This shows a price below which it is not economic to continue production. By this measure, commodity prices overall are 7 per cent undervalued when compared with the costs of production.

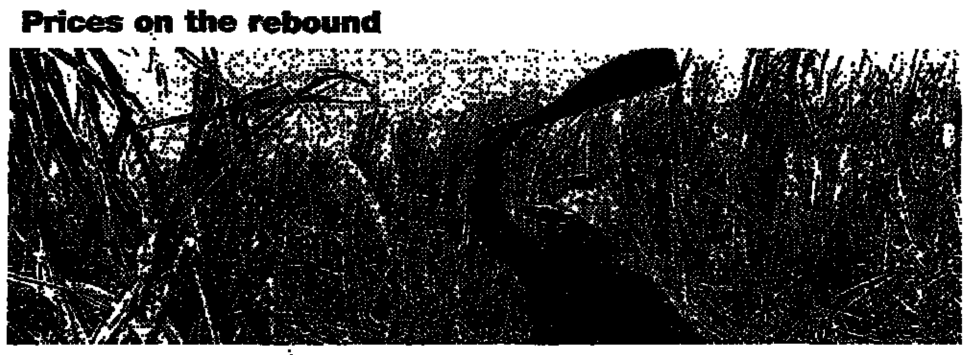
Cocoa prices are 5 per cent below the costs of production and sugar prices 4 per cent lower. However, Goldman reckons coffee prices are 15 per cent higher than production costs as the producers' retention scheme has begun to bite.

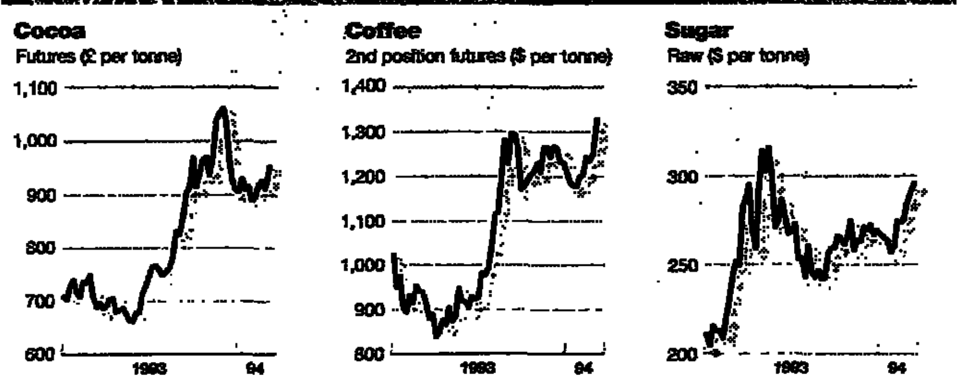
Goldman points out that the low valuation of some commodities makes them a good investment opportunity.

But not everyone is happy about the appearance of futures funds and speculators in the traditionally gentlemanly commodity markets. The extra cash can exaggerate a market move and some traders complain that the soft commodity markets are becoming dominated by fund activity.

"Funds can push a market, but it is not the case that these markets are bucking fundamental trends," said Mr Lawrence Eagles, commodity analyst at GNI, the London brokerage house.

Prices on the rebound





Source: Datastream

Rancour grows on William Hill deal

By Maggie Urry in London

The temperature is rising in the dispute between the two UK companies Brent Walker and Grand Metropolitan over the £685m ($1bn) acquisition of the William Hill and Mecca Bookmakers UK betting business.

Last week GrandMet started court proceedings to seek "rectification" of the sale agreement, claiming Brent Walker had changed its interpretation of one aspect of the deal.

Brent Walker appears incensed by GrandMet's move which it sees an an attempt to rewrite the agreement, and will today issue a statement.

The two parties have been in dispute over the deal since autumn 1990, and in July 1992 agreed to go to arbitration.

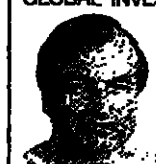
The property and leisure group's statement today will argue that rectification "is not concerned with the interpretation of agreements, but with the correction of alleged errors in the drafting of an agreement". Brent Walker and William Hill will say they will resist the proceedings because they do not accept there were errors in the agreement.

The agreement was signed in September and the deal completed in December 1989. GrandMet promised the business would achieve profits of £55m in the year to end September 1989. Brent Walker could reclaim part of the purchase price if profits fell below £51m. In that case it could reclaim 12.82 times the difference between the profits made and £55m. By September 1990 Brent Walker was claiming a £160m refund of the purchase price and refused to pay the final £50m then due. The courts ruled in 1991 that Brent Walker had to pay the £50m.

Markets this week

Starting on page 19

MARTIN DICKSON:
GLOBAL INVESTOR



Investors will be watching as the Fed's policy-making Open Market Committee meets tomorrow amid widespread expectations in the capital markets that it will approve a further tightening of US monetary policy. They are also wondering "Is it time to substantially increase portfolio weightings in the Japanese equity market?" and how many awards Steven Spielberg will pick up in Hollywood. Page 19.

DAVID WALTON:
ECONOMIC EYE
UK and Sweden have both adopted explicit inflation targets. But while such an objective can be helpful in establishing a framework it offers no guarantee that the target will be adhered to or is credible. Page 19

Bonds:
The sell-off in the world's bond markets at the end of last week showed plainly a definitive "decoupling" of European bonds from the US market has yet to take place. Page 20

Equities:
With investors finding that the British consumer is proving a poor leader for recovery, equities will remain strongly influenced by the gilt-edged market as institutions reshape their portfolios. Page 21

Emerging markets:
Hungary's stockmarket authorities have acted to curb insider trading. Page 21

Currencies:
Nerves are on edge for US interest rates. Page 21

STATISTICS

This week: Company news

VOLKSWAGEN

Holding out the promise of a better diet

An issue exercising at least one of the analysts summoned to Volkswagen headquarters on Thursday is whether there will be asparagus for lunch.

Not unrelated, since it governs the prospects for a good lunch *and* jam tomorrow, is how convincingly the board spells out VW's medium-term earnings outlook.

Last year's figures, released last week, showed a DM1.94bn ($1.15bn) group deficit and just enough in the parent's pockets for a DM2 dividend. But they "don't mean anything", according to one invitee.

Mr Ferdinand Piëch, chairman, is expected to issue a cautious forecast of break-even for this year. But he is also likely to wax lyrical on rapidly rising profits thereafter. This prospect will soothe analysts who have the troubled motor group marked down as a best-bet recovery stock, equipped to profit once the motor market starts growing again.

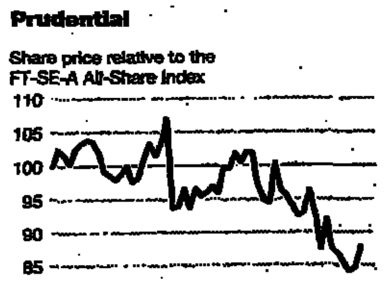
If pressed, the board may also clarify the state of restructuring measures at Seat, the Spanish subsidiary whose near-collapse has been blamed for last year's earnings slump. VW expects it to be the only one of its marques to remain in the red this year.

Most of the visitors have discounted the possibility of lasting damage to the group if production and purchasing star Mr José Ignacio López de Arriortúa falls foul of continuing criminal investigations against him.

Although there are hefty doubts about the effects on unit labour costs of the four-day working week currently in effect in Germany, and the overhang of 30,000 surplus employees, city professionals appear to have been convinced that new production methods are enough to have turned the tide.

Ample portions of asparagus, usual at analysts' meetings traditionally held in May – when the green stuff is in season and cheap – may serve to underpin their belief.

Prudential



Source: FT Graphite

PRUDENTIAL

Shaking off some dire conditions

Changes in the US weather and the prospects for the regulatory climate in the UK will both have an impact on tomorrow's results announcement from Prudential, the financial services and life insurance company.

The biggest turnround is expected from Mercantile & General, the reinsurance subsidiary, which in 1992 incurred a loss on its non-life operations of £143m – described as "dire" by Mr Mick Newmarch, Prudential's chief executive.

In 1992, two North American hurricanes alone produced losses of £56m. More recent US disasters have not affected the insurance industry so badly.

Further growth is expected from the UK life and pensions side – Prudential is the UK's largest life insurer – but the longer-term prospects for the life sector are uncertain.

The range of analysts' pre-tax profits go from £510m-£570m, compared with £406m, with a 10 per cent dividend rise.

Among other less central issues also likely to come up is the direction of Jackson National, one of the largest US life insurance companies, which was acquired by Prudential in 1986. There may also be questions about some aspects of Prudential's fund management, following the loss of some management contracts for pension funds.

OTHER COMPANIES

Citic to kick start Hong Kong season

Hong Kong's reporting season moves into full swing this week, kicking off with full-year earnings from Citic Pacific, the Hong Kong-listed arm of Beijing's China International Trust and Investment Corporation. Last year the group bought into Hongkong Telecom.

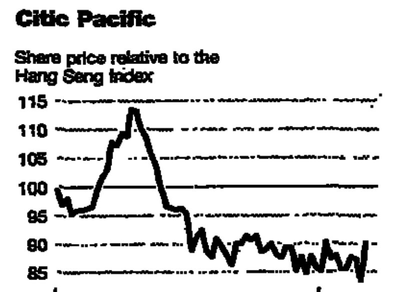
The market is looking for around HK$1.86bn profits after tax, a rise of 79 per cent. A growth rate of 83 per cent was achieved in the first half after Dah Chong Hong (DCH) almost doubled car sales in China. But it was thought Chinese austerity measures would hamper progress in the second half.

Also today, Hongkong Land, Jardine's property arm, is expected to reveal flat earnings. Stronger gains are slated to come on Thursday, with reports from Mr Li Ka-shing's main company, Cheung Kong and its subsidiary Hutchison Whampoa, Hong Kong's largest conglomerate.

■ RVI: The trucks and buses arm of Renault, the French state-owned vehicle group, will announce 1993 results tomorrow. The company, like all truck manufacturers, is struggling to emerge from the sharp downturn in European markets. The worst is now over, according to the company, and analysts are expecting a substantial improvement on the losses of FFr1.6bn ($280m) recorded in 1992.

■ Banque Nationale de Paris chairman Mr Michel Pébereau will today announce the French banking group's first set of annual results since its privatisation last autumn. Investors are already braced for a fall in net profits to around FFr875m for 1993 from FFr2.17bn in 1992 and will be more interested in Mr Pébereau's comments on the prospects for BNP's recovery this year.

Citic Pacific



Source: Datastream

■ IBM chairman and chief executive for the past year Mr Lou Gerstner, is expected finally to reveal his strategies for IBM's recovery during an meeting with analysts in New York on Thursday. Industry watchers hope to hear Gerstner map out IBM's recovery, including details of how the company aims to halt the decline of its mainframe computer and data storage products revenues, boost personal computer profits and address new markets.

■ Skanska: Scandinavia's biggest construction group should show a strong rebound from its disastrous 1992 results when it unveils 1993 figures on Thursday. The group will be relying on capital gains on disposals to compensate for continued recession in the Swedish construction market and big property write-downs. At the half-way stage, the group predicted a SKr2.2bn ($280m) full-year profit.

Companies in this issue

Lihir Gold flotation threatened with delay

By Kenneth Gooding, Mining Correspondent in Cairns

The flotation of Lihir Gold Company, which will have the RTZ Corporation of the UK as its biggest shareholder and operator, is threatened with delay because of recent upheavals in the government of Papua New Guinea.

The company, which will develop one of the world's biggest gold mines in the crater of an extinct volcano on the PNG island of Lihir, is scheduled to be floated on the Australian stock exchange in September. It is expected to be valued at more than $1.2bn (£820m).

However, the PNG government has not yet issued a Special Mining Lease for the project, without which the flotation process will stall. This lease was expected to be issued in January at the latest. But, Mr Pias Wingti, PNG's prime minister, reshuffled his cabinet and the new minister for mines, Mr John Kaputin, will not be hurried into giving a decision.

The delay is costing RTZ, the world's biggest mining company, some useful cash flow. Only after the licence is issued will RTZ complete a deal agreed a year ago to sell another 16 per cent to Nuigini Mining, its partner in the project, for $48m. The PNG government is to take 30 per cent of the project for $42m, its share of the $138m spent by the partners so far.

When Lihir Gold is set up, RTZ will raise about $300m in debt financing. Lihir will be floated to raise $300m-$400m. PNG citizens will get preferential treatment to take about 10 per cent of the company and the Malaysian Mining Corporation is expected to emerge with up to 20 per cent, either bought from RTZ or via a placement or sub-underwriting.

RTZ would be left as operator of the mine with 24-30 per cent of the new company, and Nuigini Mining, a subsidiary of Battle Mountain Gold of the US, with 18-23 per cent.

Mr Geoff Loudon, chairman of Nuigini, said at the weekend that he was confident the Special Mining Lease would be issued. "But we are all on tenterhooks. Obviously, if the lease is not issued until mid-year the flotation schedule would have to be changed."

RTZ was continuing talks with bankers about raising the debt and some technical work was being carried out on the $625m project.

40% pay rise for Fife chief

Mr Gavin Hepburn, chairman of Fife Indmar, the Scottish engineering company, received a 40 per cent pay increase last year to £129,457.

The figure, published in the annual report, included a £33,000 performance related bonus.

Pre-tax profits last year of £903,000 compared with previous losses of £1.66m.

George Simpson prepares to take up his post as the new Lucas chief

Mr George Simpson, who played a leading role in the sale of Rover Group to BMW, will next month begin his new job as chief executive of Lucas Industries, the automotive and aerospace components group.

He will leave his current post as deputy chief executive of British Aerospace at the end of March – a month earlier than previously announced. He was also chairman of Rover Group, BAe's vehicles arm.

Mr Simpson, 51, was elected to the board at Lucas last Friday – the day on which Rover, the last British-owned volume car producer, officially passed into the ownership of BMW, the German carmaker.

Lucas sought for months to secure the services of Mr Simpson.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Corral Petroleum (S Arabia)	OK Petroleum (Norway)	Oil	£820m	Continues downstream trend
International Paper (US)	Carter Holt Harvey (New Zealand)	Forestry	£200m	Brierley sells 8.5% stake
Gazprom(Russia)/ Neste (Finland)	Joint venture	Gas	£122m	Increasing Russian exports
Ford (US)	Aston Martin Lagonda (UK)	Car manufacture	£50m	Lifts stake to 99.5%
McVities (UK)	San(Poland)	Food	£19m	Eastern expansion base
Blenheim Group (UK)	Editoriale PEG (Italy)	Publishing	£9m	One of three buys
Heiton Holdings(UK)	F&T Buckley (Ireland)	Building materials	£7.8m	Cash & debt deal
Blenheim Group (UK)	NIC (France)	Exhibitions	£3.5m	Part of French restructuring
Spandex (UK)	Adhebak (France)	Adhesives	£2.9m	Completing Euro-network
Giddings & Lewis (US)	Flexible Manufacturing (UK)	Engineering	n/a	Buy from receivers

Barnes & Noble approach to Pentos

By Alison Smith

Pentos, the specialist retailing group which includes the Dillons bookshop and Athena cards and poster chains, is considering an approach from Barnes & Noble, the US bookstore group.

Any arrangement between Pentos and B&N to open a range of cut-price bookshops would revive the controversy over the future of the net book agreement, which governs most book sales in the UK and allows publishers to decide on the minimum price for a book.

However, while Mr Bill McGrath, Pentos chief executive, is said to be keen to explore whatever possibilities arise, any decision is some way off.

Analysts expect the group to make a rights issue in the near future, and an announcement on any arrangement with B&N would not come until after that – probably in December or early next year.

Mr McGrath, who took over as chief executive in December, is said to believe that the NBA will disappear, but not to favour taking the pro-active stance of his predecessor, Mr Terry Maher, in undermining it.

In particular, he is unlikely to want to intensify pressure on the NBA, which is supported by publishers, when the group is keen to maintain cordial relations with its suppliers. A similar rationale appears to lie behind the group's denial that Athena might not be able to reach new payment arrangements. "Athena would not contemplate doing anything unilaterally that would damage the relationship with its suppliers," the company said.

Wilson Walton

Wilson Walton Group, a provider of corrosion engineering offshore and acquired by its management in 1988 for £1.5m, has been purchased by Corrpro Companies, of Ohio, for a sum approaching £10m.

Four more companies set their sights on a stock market quote

LCH gets price tag of £140m

By Simon Davies

London Capital Holdings is emerging from the financial wreckage of the former Randsworth Trust property company and will get a listing valuing it at around £140m.

Randsworth was one of the most aggressive property companies of the 1980s, but following its privatisation in 1989 it went into receivership and was rescued by its bankers, Citibank.

Citibank is expected to sell 65-75 per cent of LCH through a placement and public offer which will raise up to £100m. The bank said it would retain its remaining shareholding of up to 35 per cent as a long-term investment.

The flotation is scheduled for May.

The bank said it was selling down its shares in LCH to free the management from financial restrictions imposed under US banking regulations while Citibank retained control.

LCH retains much of Randsworth's portfolio. Its 14 properties, valued at £227.6m in December, are almost entirely located in London's West End.

LCH is one of a growing list of property companies aiming for flotations in the first half of 1994.

The company will be run by two joint managing directors, Mr Nigel Kempner and Mr Stephen Musgrave, who joined Randsworth in 1987.

Mr David Newbigging – former chief executive, or taipan, at Hong Kong trading group Jardine Matheson and the current chairman of Rentokil – is to become chairman of LCH after the flotation.

Mr Kempner said West End property values offered substantial upside potential because of the limited availability of new space and strong demand for property in core locations.

The company plans to use the rental stream from its core portfolio, estimated at £17.5m in 1993, to fund development of some of its existing properties. It will also look for property purchases, or joint venture projects.

Lombard Insurance to float

By Richard Lapper

Four months after Independent Insurance became the first general insurance company to gain a stock market listing for more than 30 years, another insurer is set to float.

Lombard Insurance, a Tonbridge-based company bought out by its managers last year, expects to raise £15m-£20m from the flotation, planned to take place in the next few months. Overall, Lombard is expected to be valued at £60m-£70m. After the fund-raising, net assets would be roughly £50m.

The group reported pre-tax profits of £5.5m for the seven months of 1993 that followed the management buy-out. Annual underwriting profits of £3.1m compared with losses of £2.8m in 1992 and £5.9m in 1991.

Mr Andrew Laing, managing director, said the extra capital would "raise awareness of Lombard", especially in the broker markets where it competes with companies such as Independent, Norwich Union, Commercial Union and Zurich Insurance and help sustain rapid recent growth. Premium income increased by 25 per cent in 1993 to £87.7m, following a 33 per cent rise in 1992.

Some 60 per cent of Lombard's income comes from personal lines such as household and private car, where the company specialises in insuring "mature drivers" with good safety records. In commercial lines the company specialises in insuring small and medium-sized companies, focusing on property and business interruption risks.

Mr Laing stressed the importance of an agreement negotiated with the company's previous owners last year, indemnifying Lombard for losses occuring prior to the buy-out. A trust fund of £38.9m is designed to cover all liabilities on claims occuring before June 1 1993.

The group's management, which owns about 10 more per cent of the company's equity, expects to retain its shareholding, although the venture capitalists who backed the management buy-out last year could sell some of their shares.

A placing and intermediaries offer will be handled by Charterhouse Bank and Charterhouse Tilney Securities.

Fiscal Properties seeks £25m

By David Blackwell

Fiscal Properties is hoping to raise £25m through a flotation next month.

The group invests in commercial properties that are mainly let to the government. The portfolio has grown from a value of £12.3m at the end of December 1991 to £52.9m at the end of January this year.

A combination of new ordinary shares and convertible unsecured loan stock will be issued. The size of the issues will be announced, along with the pricing, on impact day on Wednesday week.

Last year the group reported pre-tax profits of £247,000 on rental income of £3.2m.

The company was founded by Mr Terry Goddard, chairman and finance director, and Mr Gordon Bloor, chief executive and managing director, in 1985.

All its investment properties are outside central London and do not command high rents, a factor which the directors believe leaves it less exposed to downturns.

Half the income stream is guaranteed to the year 2006, and all contracts feature upward only rent reviews.

After the flotation the group's venture capitalists – Montagu Private Equity, 3i and SO.PA.F of Italy – will hold around 35 per cent of the company. The three are not selling any shares.

The two founders will hold 15 to 20 per cent. Mr Goddard will be selling some shares for personal reasons.

Sponsor and broker to the issue is Paribas. Dealings are expected to commence on April 15.

Persona valued at £20m

By Alan Cane

Persona Group, a Surrey-based distributor of personal computer networking products, is coming to the market by way of a placing which values the company at about £20m.

Some £9m is being raised of which about £2.5m will be available to the company to cut debt and strengthen the balance sheet.

The group lost money in 1989 and 1990 and was then reorganised. Between 1991 and 1993 sales rose from £10.3m to £22.9m, while pre-tax profits grew from £78,000 to £1.75m.

Mr Wayne Channon, chairman and managing director, said the company distributed products mainly of US companies.

Persona is a direct competitor to the larger Azlan Group which came to market earlier this year. The two companies have similar product and marketing strategies. Azlan's striking price was 230p. It is now trading at 264p.

Persona is in one of the fastest growing parts of the personal computer business as customers seek to tie their machines together in local and wide area networks. Persona distributes products from companies including 3Com, Mountain Networks and SynOptics directly to resellers.

Sponsor to the flotation is Beeson Gregory. Impact day will be March 28.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 18, 1994 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2722.00	1828.32	1079.02	1724.31
Albania	(Lek)	163.955	110.126	64.9326	103.861
Algeria	(Dinar)	35.4438	23.8069	14.0371	22.4526
Andorra	(Fr Fr)	8.6016	5.7775	3.4065	5.4488
	(Sp Peseta)	207.383	139.295	82.1318	131.371
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	12.3264	8.2794	4.8817	7.8084
Germany	(D-Mark)	2.5250	1.6959	1	1.5995
Ghana	(Cedi)	1351.90	908.047	535.406	856.392
Gibraltar	(Gib £)	1.00	0.6716	0.396	0.6334
Greece	(Drachma)	368.689	247.642	146.015	233.554
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	45.3615	30.4684	17.9646	28.7352
Panama	(Balboa)	1.4888	1	0.5896	0.9431
Papua New Guinea	(Kina)	1.4144	0.95	0.5601	0.8959
Paraguay	(Guarani)	2679.90	1800.04	1061.35	1697.64
Peru	(New Sol)	3.2239	2.1654	1.2767	2.0422
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SCA buys French packaging group

By Christopher Brown-Humes in Stockholm

SCA, Sweden's second largest forestry group, plans to buy a 90 per cent stake in Otor Holding, a privately-held French packaging company, in a deal worth up to FFr2bn ($346m).

The move will be partially funded by a SKr1bn share issue to foreign investors. It is the biggest acquisition by a Swedish forestry group on the continent for three years.

SCA said the deal would increase its share of the European transport packaging market to 11 per cent from 9 per cent and assist it in its ambition of building a 15 per cent market position.

Mr Sverker Martin-Löf, SCA president, said: "This gives us a strong presence in one of Europe's four big markets and consolidates our position as Europe's leading transport packaging group."

The move comes only months after SCA announced investments of SKr3bn, including a joint venture newsprint plant, based on 100 per cent recycled paper, at Aylesford in southern England.

Otor is France's second largest producer of packaging used for transporting goods, with a 12 per cent market share.

It produces 360,000 tons a year of corrugated board in six French and two British plants. It also produces 250,000 tons of container board, based on recycled fibre, and its operations include a recycled-paper company. Profits of FFr108m last year, on sales of FFrs1.9bn, are expected to rise to FFr170m in 1994.

SCA said the acquisition would bring FFr100m in synergy benefits and improve 1994 earnings after financial items by SKr190m. It will pay an initial FFr1.77bn and up to FFr255m more if Otor's 1994 and 1995 profits exceed last year's.

The vendors, Mr Jean-Yves Bacques and family, will subscribe to SKr300m of the share issue, with the balance being placed with international investors. SCA noted it had already tapped its own shareholders with a SKr1.4bn rights issue last year.

The group has a reputation for being the least cyclical of the Nordic forestry groups, because of a strong bias towards hygiene products through its Mölnlycke unit.

Its resilience was apparent last year when it achieved a SKr1.21bn profit after financial items, despite a weak pulp and paper market. This compares with a SKr451m profit a year earlier.

The group expects profits to rise to SKr1.7bn–SKr2.2bn this year, helped by an improving pulp and paper market. The dividend is raised to SKr3.40 per share from SKr3.10.

Kumagai Gumi quits Frankfurt project

By Michiyo Nakamoto in Tokyo

Kumagai Gumi, the Japanese construction company, is to sell its 25 per cent stake in Frankfurt Properties Investments and withdraw from planned property development in the centre of Frankfurt.

Kumagai is selling the stake to Telenorma, an electronics equipment maker and a subsidiary of Bosch of Germany.

The Japanese group is closing its wholly-owned subsidiary in Holland, KTN Realty which held the stake in Frankfurt Properties Investments. Telenorma will take over the Frankfurt company.

Kumagai said it had sold the stake because of difficulty in obtaining planning permission from the German authorities, the weakening of the property market and gloomy prospects for the planned project.

Its withdrawal from the Frankfurt project, initially valued at Y70bn to Y80bn, and the closure of its Dutch subsidiary will result in Kumagai incurring a Y6bn ($57m) loss.

The move comes on the heels of its withdrawal from a highway project in Bangkok, Thailand, and highlights the problems Japanese construction companies are facing in their overseas ventures.

Kumagai said that as a result of the sale it would incur a greater loss from its overseas operations than previously forecast. Its extraordinary losses from overseas businesses is now expected to be Y32bn, rather than Y21bn as forecast in February.

However, the company does not, as a result, foresee a larger net loss in the current year to the end of March.

It is being helped by a larger operating profit than previously estimated and plans to offset the increased overseas loss by selling assets, such as bonds and trust funds as well as properties.

● Japan's ministry of finance has ordered Kankaku Securities, a medium-sized broker, to suspend corporate client transactions from March 25 to April 7 over the broker's illicit client deals, writes Emiko Terazono in Tokyo.

Euro Disney attendance shows fall in second year

By Alice Rawsthorn in Paris

Euro Disney, the troubled leisure group that last week agreed terms with its banks for a FFr13bn ($2.25bn) rescue package, has suffered a sharp fall in attendance over the past year, according to Mr Philippe Bourguignon, chairman.

Mr Bourguignon told Journal du Dimanche, the French newspaper, that about 9.5m people will have visited the EuroDisneyland theme park by the end of its second year on April 12, against 10.5m visitors during the first year.

One cause of the decline was a reduction in the number of British visitors. The UK was one of EuroDisneyland's largest markets in the first year.

However, the pound's weakness against the French franc, following the autumn 1992 currency crisis, triggered a significant fall in British bookings last spring and summer.

The pound has since strengthened slightly against the franc. Mr Bourguignon said Euro Disney plans to try to boost attendance from the UK. "Our priority for this season is to reconquer the British market," he added.

Mr Bourguignon did not disclose details of the company's plans for the UK. However, Euro Disney last year secured a significant increase in attendance from the French through a successful campaign of aggressive advertising and price promotion.

Euro Disney last year was also hit by a fall in the number of German visitors. More recently it is understood that advance bookings for the coming spring and summer season have been depressed by uncertainty over the progress of the financial restructuring.

"Understandably, parents were worried about promising their children a trip to EuroDisneyland only to find that the park had been closed," said one insider. "Now that the rescue has been agreed, we ought to see a rush of bookings."

Despite the rescue, Euro Disney is expected to remain in the red this year. Morgan Stanley forecasts a net loss of FFr1.5bn for the present year to September 30 with the company scheduled to break even only in the 1995/96 financial year.

Boeing net earnings set to drop

Boeing, the US aircraft manufacturer, forecast that its operating margins would be largely maintained in 1994, positioning it for the next expansion cycle, Reuter reports from Seattle.

In its annual report it added that corporate net earnings would fall as a result of declining sales and research and defence expenditures that will increase from last year's $1.7bn level.

The group again warned that it expected sales to fall in 1994 to around $21bn from $25.4bn as aircraft deliveries continue to decline, reflecting the downturn in the world travel market.

Sales at its defence unit should rise by about 10 per cent over the $4.4bn level of 1993 because of the company's recent designation by the space agency Nasa as prime contractor for the space station.

Because of higher R&D expenses, mainly on the 777 commercial jet and a next-generation 737, "there will be a significant decline in net earnings as a per cent of sales for 1994", Boeing said.

It predicted that the world air travel market would grow at an average annual rate of slightly more than 5 per cent until 2010, creating a total world market for commercial jets of about $800bn over the next 16 years.

Nikkei derivatives for Simex

By Laurie Morse in Boca Raton

The Singapore International Monetary Exchange has become the first non-Japanese futures exchange to be given the licensing rights to trade futures and options contracts based on the newly-created Nikkei 300 Japanese stock index. The rights were granted by the Nihon Keizai Shimbun, the Japanese newspaper.

The capitalisation-weighted Nikkei 300 is expected to supplant the widely-followed Nikkei 225 as the benchmark index of the Japanese stock market, and the futures licensing agreement gives Simex the opportunity to continue its lead in Asian stock index futures derivatives.

The Simex intends to trade Nikkei 300 derivatives in direct competition with the Osaka futures exchange, which already holds rights to the same index.

The Singapore exchange has not announced a launch date for the new Nikkei products, but says it will trade its Nikkei 300 and Nikkei 225 stock index products side by side.

In January and February there were more than 1.3m Nikkei 225 futures and options contracts traded on Simex, substantially more than similar contracts in Osaka or on the Chicago Mercantile Exchange.

Separately, the Simex and the Chicago Mercantile Exchange have agreed to extend their mutual offset arrangement for five years. The arrangement, instrumental in Simex's creation in 1984, allows trades made at either exchange to be offset on the other's trading floor.

It was implemented to give the CME a presence in the Asian time zone, and has continued despite the invention of Globex, an international after-hours futures trading system.

Dispute over Aerolineas settled

By John Barham in Buenos Aires

Argentina and Iberia, Spain's state-owned national airline, have settled their three-year dispute over the privatisation of Argentina's flag carrier Aerolineas Argentinas.

Mr Domingo Cavallo, Argentina's economy minister, and Mr Javier Salas, Iberia president, signed a deal last week requiring Iberia to inject $500m into the heavily loss-making Aerolineas, raising its stake to 85 per cent from 30 per cent.

The latest crisis at Aerolineas was sparked off last year by Mr Cavallo's refusal to commit its share of the $500m capital increase.

The government's 33 per cent stake will drop to 5 per cent, with the employees holding the remaining shares. The government will, however, continue to recognise Aerolineas as Argentina's flag carrier.

Most of the capital injection will be used to reduce the $700m in loans Iberia had advanced Aerolineas, and $100m is earmarked for new investments. The Spanish and Argentine banks that held most of the remaining shares in Aerolineas on behalf of Iberia have withdrawn from the company.

As part of the deal, the government will ban charter flights, removing a growing source of competition on international routes. However, it rejected Iberia's demands for tighter regulation of domestic flights. Iberia wanted it to restrict the entry of strong, possibly foreign-owned, competitors into the local market.

Iberia will also be allowed to provide ground services for Aerolineas, which are monopolised by an air force-controlled company, helping to reduce operating costs.

Surprise jump in profits for Jardine motor arm

By Louise Lucas in Hong Kong

Jardine International Motor Holdings, the car distribution arm of the Jardine Group, surprised the Hong Kong market with a 23 per cent jump in net profits to US$73.2m in 1993, from US$59.5m in 1992.

Gains were fuelled by strong performances in distribution and service operations in Hong Kong, Macao and China, and helped by a lower tax bill.

There was also a turnround in the UK and Australia while sales in China surged despite the austerity drive in place for part of 1993.

Mr Simon Keswick, chairman, said: "While the year has begun well in China and Hong Kong, with continuing demand for Mercedes-Benz motor vehicles, there remains uncertainty over the impact on car sales of the introduction of new taxation in China."

The new taxes, which come into effect next month, put a 150 per cent levy on top-range big engine cars sold to joint ventures – where around two-thirds of China sales are made.

Earnings per share rose 19 per cent to 15.34 US cents from 12.93 cents, and directors are recommending a final dividend of 5.80 cents for a total payout of 7 cents, up 16 per cent.

Hyundai shelves plant re-opening near Montreal

Hyundai of South Korea has shelved the re-opening of its C$400m car assembly plant near Montreal indefinitely because of doubts that projected output of its Elantra from 1995 would be economic, writes Robert Gibbens in Montreal.

The plant was closed temporarily last summer when production of the slow-selling Sonata fell to an annual rate of 15,000, or 15 per cent of capacity.

The company last year negotiated with governments to help re-equip the plant to make the Elantra.

Shell Australia plans metals float

By Nikki Tait in Sydney

Shell Australia, part of the Anglo-Dutch oil group, plans to float its metals division on the stock market. Its 37.5 per cent interest held in the Worsley bauxite/alumina project in Western Australia will, however, be excluded from the sale.

The company declined to say when the float might take place, but claimed preparations were "at an advanced stage".

The main assets to be floated include a 30 per cent interest in the Boddington gold mine and a 42 per cent interest in the Cadjebut zinc/lead project, both in Western Australia.

The metals division (including Worsley) made a pre-tax profit of A$30m (US$21.4m) last year, on sales of A$225m. Gold production was 113,000 ounces; zinc production (concentrate), 43,000 tonnes; lead production (concentrate), 12,000 tonnes.

The announcement comes as Gencor, the South African resources house, and Royal Dutch/Shell, Shell Australia's parent, continue discussions over Gencor's purchase of a major part of Royal Dutch/Shell's metals interests. These talks were announced last May, and if the deal goes ahead, it is reckoned to be worth US$1.5bn–$2bn.

But as far as Shell Australia is concerned, Gencor's primary interest is thought to centre on the Worsley joint venture, which produces around 13 per cent of Australia's alumina. This is understood to be the main reason for excluding the holding from the flotation plan.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[illegible]

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour. [illegible] subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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THE WEEK AHEAD

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Updown Inv., 12, Tokenhouse Yard, E.C., 12.00
BOARD MEETINGS:
Finals:
Argos
Astec (BSR)
Avonside
BPP
Bunzl
Crestacare
Doeflex
Fact (EW)
Fired Earth Tiles
Pendragon
Wilson Bowden
Interims:
Lucas Inds.
Tay Homes
Trafford Park Estates
■ TOMORROW
COMPANY MEETINGS:
St David's Inv. Tst., Queen's Chambers, 2, North Street, Newport, 12.15
Serif, Belstead Brook Hotel, Belstead Road, Ipswich, 10.30
TSB, Moat House International, Glasgow, 10.30
BOARD MEETINGS:
Finals:
American Tst.
Antofagasta
Appleyard
Avonmore Foods
BSG Int.
Berry Starquest
Bourne End Properties
Bowater
Clyde Petroleum
Derwent Valley
Iceland
Law Debenture
Lilliput
Mayborn
Metalrax
Prudential
Quicks
RPS
River & Mercantile American Cap.
Secure Tst.
Trinity Int.
Try
UK Safety
Unichem
World of Leather
Interims:
Allied London Properties
Baillie Gifford Japan
Butte Mining
Dorling Kindersley
Lincat
Lon. & St. Lawrence Inv.
Trace Computers
UDO
■ WEDNESDAY MARCH 23
COMPANY MEETINGS:
Bullough, The Courtyard, 26, Euston Centre, Euston Road, N.W., 10.30
Continental Assets Tst., 1, Charlotte Square, Edinburgh, 12.30
Fairway Grp., New Broad Street House, 34, New Broad Street, E.C., 10.30
Gestetner Hldgs., Hyde Park Hotel, 66, Knightsbridge, S.W., 9.45
River & Mercantile Tst., New Connaught Rooms, Great Queen Street, W.C., 12.00
Scottish American Inv., 45, Charlotte Square, Edinburgh, 12.00
Trust of Property Shares, Park House, 16, Finsbury Circus, E.C., 11.00
BOARD MEETINGS:
Finals:
APV
Aspen Comms.
Barr & Wallace Arnold Tst.
Bournemouth Water
Bowthorpe
Burn Stewart Distillers
Clinton Cards
Devro Int.
High Gosforth Park
Jardine Matheson
Lambert Howarth
Lasmo
Lex Service
Matthews (Bernard)
More O'Ferrall
North Sea Assets
Page (Michael)
Quality Software
Richardsons Westgarth
TI
Thornton Asia Emerging Mkts.
Unichem
Wace
Weir
West Hampshire Water
Whatman
Wood (Arthur)
Interims:
BZW Conv.
Barratt Devs.
Britannic Assurance
BB & EA
Canning (W)
Cooper (F)
Manganese Bronze
Premium Tst.
Ricardo
Town Centre Sec.
■ THURSDAY MARCH 24
COMPANY MEETINGS:
Baring Tribune Inv. Tst., 155, Bishopsgate, E.C., 2.30
Burlington Grp., Honourable Artillery Co., Armoury House, City Road, E.C., 10.00
Fleming American Inv. Tst., 25, Copthall Avenue, E.C., 12.00
Gardiner Grp., 7, Birchin lane, E.C., 10.30
Greenfriar Inv., 3, Finsbury Avenue, E.C., 2.15
Kleinwort Charter Inv. Tst., 10, Fenchurch Street, E.C., 12.30
Lincoln House, Birchwood Way, Somercotes, Derbyshire, 10.00
Warner Estate Hldgs., Claridge's, Brook Street, W., 12.15
BOARD MEETINGS:
Finals:
Abbeycrest
Ayrshire Metal Products
Baird (Wm)
Beradin
Bilston & Battersea
Booker
Bridon
Bruntcliffe Aggregates
CIA Grp.
Catties Hldgs.
Caverdale
Culver
Devenish (JA)
Frost
Geest
Jardine Strategic
Laing (J)
Lowe (Robert H)
Morrison (Wm) Supermarkets
P & O
Reckitt & Colman
Ruberoid
Slough Estates
Sphere Inv. Tst.
Sun Alliance
TLS Range
Utd. Newspapers
Wellcome
Wolstenholme Rink
Interims:
Dowding & Mills
Foreign & Colonial US Smaller Co's
Gleeson (MJ)
Maunders (J)
■ FRIDAY MARCH 25
COMPANY MEETINGS:
Burford Hldgs., Britannia Inter-Continental Hotel, Grosvenor Square, W., 10.00
Caldwell Invs., Yorkshire House, Greek Street, Leeds, 12.00
Hill & Smith Hldgs., Copthorne Hotel, The Waterfront, Level Street, Brierley Hill, W. Midlands, 12.00
Lonrho, Barbican Hall, Barbican Centre, E.C., 11.00
Trencherwood, Donnington Valley Hotel, Oxford Road, Newbury, Berks., 11.30
Ward Hldgs., 82, New Cavendish Street, W., 2.30
Yorkshire Chemicals, Kirkstall Road, Leeds, 12.00
BOARD MEETINGS:
Finals:
Breedon
Capital Inds.
Fisher (James)
Hornby
Macallan Glenlivet
Monument Oil & Gas
National Express
Newman Tonks
Portmeirion Potteries
Ticketing Grp.
Interims:
Blackwood Hodge
China & Eastern Inv. Tst.
Frogmore Estates
Halstead (James)

Company meetings are annual general meetings unless otherwise stated.
Expected announcement dates are shown for board meetings.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Asahi Brew. 7.3% Bd. 2000 Y730000.0
Christiania Bk. Rev. FRN 1997 $1154.19
Commercial Union 10¾% Gtd. Bd. 2002 £107.50
Dai-Ichi Kangyo Bk 10% Gtd. Nts. '01 $1000.0
Enron $0.1875
Jersey Phoenix Tst. 1.25p
Leumi Int. Invs. Gtd. FRN '97 $183.26
Marubeni Int. Fin. Euro Yen Gtd. Nts. '98 Y2000000.0
M & G Recovery Inv. Tst. 1p
Do. Geared Units 1p
Do. Package Units 1p
Mitsubishi Fin. 9⅛% Sb. Nts. '94 $45625.0
NT & T 10¼% Bd. 2001 C$102.50
Southern Electric 6.7p
South West Elect. 7p
Tate & Lyle Int. Fin. 5¾% Gtd. Bd. 2001 £143.75
Thames Water 9½% Cv. Sb. Bd. '08 £237.50
■ TOMORROW
Alcan Aluminium $0.075
Arab Banking FRN '96 $263.96
Birmingham Mid. Bldg. Scty. Fltg. Rate Sb. Nts. '05 £32511.82
Bristol & West Bldg. Scty. Snr. Var. Rate Nts. '94 £138.08
Eastern Electricity 6.6p
Leeds Permanent Bldg. Scty. FRN '96 £138.70
Marine Mid. Bks. Fltg. Rate Sb. Nts. 2009 $131.25
Marubeni Int. Fin. 3% Bd. 1995 $3000.0
Midland Bk. Und. Fltg. Rate Prim. Cap. Nts. ('85) $251.39
Nationwide Bldg. Scty. Sb. FRN 2000 £159.74
Do. Sb. FRN 2004 £144.86
Northern Electric 7.4p
Riggs Nat. Fltg. Rate Sb. Nts. '96 $132.35
Standard Chart. Und. Prim. Cap. FRN £70.11
Taisei 2.7% Bd. '98 Y71250.0
Do. 3.05% Bd. '98 Y80486.0
Do. 3.8% Bd. '01 Y100278.0
Updown Inv. 13p
■ WEDNESDAY MARCH 23
AAH 6p
East Midlands Elect. 6.8p
European Inv. Bank 11% Ln. '02 £275.0
Halliburton $0.25
Leeds Perm. Bldg. Scty. Sb. Var. Rate Nts. £149.79
Natl. Power 6¾% Cv. Sb. Bd. '08 £36.11
Potgietersrust Platinums R0.10
Rustenburg Platinum R0.625
Scottish Hydro-Elect. 3.96p
Severn Trent 11⅝% Bd. 2001 £581.25
Sparekassen Bikuben Sb. FRN 2000 $2249.93
Yorkshire Water 6¾% Snr. Cv. Bd. 2008 £3.375
■ THURSDAY MARCH 24
All Nippon Air. 6.35% Nts. 2000 Y635000.0
Amer FM2.0
Asian Devlpmnt. Bk 10¼% Ln. 2009 £256.25
Britannia Bldg. Scty. FRN 1997 £135.46
Eve 3p
Greenalls 11½% Db. 2014 £5.75
Do. 7% Cv. Sb. Bd. 2003 4.2p
Impala Platinum R0.45
Int. Bk. for Reconstruction & Dev.. 9½% Ln. '10 £4.75
NSK 2.8% Bd. 1998 Y71556.0
Do. 3.1% Bd. 1998 Y79222.0
Royal Bk Scotland 10⅝% Sb. Bd. '98 £531.25
Saehan Merchant Bank. FRN '95 $476.56
Sidlaw 7½% Un. Ln. 03/08 £3.75
Spain (Kingdom of) 11¾% Ln. 2010 £293.75
Tokyu Land 8½% Bd. '95 Y425000.0
Treasury 2½% I.L. 2001 £2.2468
■ FRIDAY MARCH 25
Am. Cyanamid $0.4375
Assoc. Brit. Foods 5½% Un. Ln. '87/2002 1.375p
Do. 7½% Un. Ln. '87/2002 1.875p
Brit. Land 8¾% Bd. 2023 £320.49
Do. 12½% Bd. 2016 £625.0
Charlwood Alliance 7½% Un. Ln. 1.875p
Compass 8.56p
Daiwa Und. Gtd. Sb. FRN Y2304932.0
East Midlands Elect. 12% Bd. 2016 £1200.0
Finnish Ex. Credit 3.5% Equity Yld. Sec. '95 $17.50
Fleming O'seas Inv. Tst. 1.5p
Fuji Bank Int. Fin. Perp. Sb. Gtd. FRN Y230493.0
Do. Und. Sb. Gtd. Var. Rate Nts. Y68681.0
Greenfriar Inv. 4.5p
Grosvenor Inns 2.25p
Hercules $0.56
Japan Air. Terminal 6.4% Bd. '99 Y640000.0
London Int. 4½% Cv. Bd. 2002 £45.0
Lydenburg Platinum R0.44
Manchester 3% Rd. Cons. £0.75
Marine Midland Bk Fltg. Rate Sb. Cap. Nts. '96 $131.25
Marston Thompson 10¼% Db. 2012 £5.125
Met. Water Board Chelsea Wtr 2¾% Db. 1897 £1.375
Mitsubishi Oil 4.2% Bd. '03 Y106167.0
New Zealand 11½% 2014 £287.50
Nottingham Water Anns (per £3.25) £1.75
Do. (per £1.35) £0.68
Oxford Instruments 1.5p
Renold 8% 1st Db. 1991/96 £4.0
Robert Fleming Int. Fin. 9½% Perp. *Sb. Gtd. Nts.* £25.18
Sabre Int. (No.2) Ser.P Var. Rate Sec. Nts. '98 Y54049.0
TSB Gilt Fd. Ptg. Rd. Pf. (Class B) 0.67p
Tendring Hundred Water 4½% Rd. Db. £2.25
Tops Estates 0.6064p
Trafalgar Hse 8% Un. Ln. 94/99 £4.0
Do. 9½% un. Ln. 2000/05 £4.75
Treasury 8% 2009 £4.0
Welsh Water 10¾% Bd. 2002 £537.50
■ SATURDAY MARCH 26
Daily Mail & Gen. 5⅝% Exch. Bd. 2000 £32.58
Exchequer 12¼% 1999 £6.125
Japan Dev. Bank 8½% Gtd. Nts. '96 $425.0
Treasury 13½% 2004/08 £6.75
Vaux 9⅞% Db. 2015 £4.9375
Do. 10¾% Db. 2019 £5.375
Do. 11¾% Db. 2010 £5.875
■ SUNDAY MARCH 27
Mersey Docks & Harbour 6¾% Rd. Db. 96/99 £3.375
Scottish Life 7⅛% Un. Ln. '97/2002 £3.5625
Treasury 8% 2013 £4.0

The Markets

THIS WEEK

Global Investor / **Martin Dickson in New York**

All eyes on the Federal Reserve

The US Federal Reserve this week runs the risk of being damned if it does – raise interest rates, that is – yet even more damned if it does not.

The Fed's policy-making Open Market Committee (FOMC) meets tomorrow amid widespread expectations in the capital markets that it will approve a further tightening of US monetary policy.

There are certainly good reasons for it to do so. Although a succession of statistics last week showed that inflation remains subdued, America's economic expansion has proved surprisingly robust in the first months of this year, and as labour and product market slack diminish, inflationary forces will start building.

But it remains unclear how far and how fast the Fed will decide to push up rates following its initial turn of the screw, on February 4, when it tightened monetary policy for the first time in five years, with a quarter of a point increase in Fed funds to 3.25 per cent.

Mr Alan Greenspan, the Fed chairman, has spoken of wanting to move from an accomodative to a neutral stance, leaving the market guessing as to just what constitutes neutrality. But many analysts are anticipating a 4 per cent Fed funds rate by year end, while forward rates are suggesting that this level could be reached by mid-year.

The Fed might decide in principle on further tightening tomorrow, while leaving an actual move until April, perhaps after it has had a chance to view the employment figures for March, due out on the first of the month.

However, a failure to tighten within days of the meeting would risk further unsettling a jittery market. Its edginess was graphically illustrated on Friday when a visit at short notice by Mr Greenspan to the White House for a discussion on "economic fundamentals" with Mr Clinton prompted a sharp sell-off in bond markets around the world.

Mr Clinton, traders theorised, was trying to dissuade Mr Greenspan from increasing rates, though the White House denied that any messages on interest rates were given or received.

Whatever the president's motives, the fact that the discussions took place so near to Tuesday's FOMC meeting points to a curious insensitivity on the part of both the White House and Mr Greenspan to the anxiety of the credit markets.

If the Fed fails to tighten in the wake of the meeting, it will risk being seen as succumbing to White House pressures, and thus undermining its inflation-fighting credentials.

Mr Greenspan has several options.

The market's jitteriness makes its reaction to any tightening move particularly hard to judge.The Fed seems most likely to put another quarter point on Fed funds, which would fit with Mr Greenspan's reputation for gradualism. The danger in this course is that, rather than calming the market, it will simply keep it in a state of nervous suspense, waiting for the next 25 basis point increase.

Some analysts suggest that an immediate half-point increase in Fed funds would dramatically underscore the central bank's inflation fighting credentials and end the Chinese water torture of slowly rising rates. The danger here is that it could spook the markets into thinking that the Fed views inflation as far more serious a threat than it really is.

A middle way could be to accompany a 25 basis point increase in Fed funds with a rise in the psychologically important discount rate – the rate the Fed charges banks for loans – from 3 to 3½ per cent.

Whatever path is chosen, there seems a good chance that a rise in Fed funds will be accompanied by an increase in commercial banks' prime lending rates.

Last week Morgan Guaranty, alone among the largest banks in keeping its prime rate below 6 per cent, moved it up in line with the rest of the market, possibly anticipating a further upward shift.

Still, if Mr Greenspan plays his cards carefully it is possible that a Fed tightening this week could improve the tone of the market, rather than prompting the further sell-off which many analysts fear. After all, a quarter point on Fed funds is already well factored in to bond prices and last week the market showed encouraging signs of stabilising, before Mr Greenspan's summons to the White House. With uncertainty over the Fed's intentions out of the way, a market which is looking oversold might just rally.

■ Japanese equities

Is it time to substantially increase portfolio weightings in the Japanese equity market? After all, over the past week two prominent London analysts have redoubled their advice to do so.

Mr Nick Knight, of Nomura, argues that the Nikkei index, which has been stuck in a trading range just over 20,000 is set for a rapid move to 24,000, with an outside chance of reaching 28,000.

"The bull story," he says, "is very simple and now difficult to refute – economic recovery, with profits explosion due to corporate restructuring with low inflation, low interest rates and high liquidity, all in a cycle which is way behind the US."

Mr Michael Howell, global strategist at Baring Securities, who focuses on flow of funds rather than traditional valuation criteria, says Japan tops his list of world stock markets.

Liquidity is rising, helped by Central Bank intervention, while Japanese investors, with their lowest exposure to stocks in 13 years, have Y7 trillion in cash, banks and money market funds, which is ultimately likely to return to equities.

Japan is certainly showing the first signs of light at the end of the recessionary tunnel, with a report from the Bank of Japan last Friday suggesting that the economy appeared to have ceased weakening.

The general expectation is for a slow upturn, with companies sticking to conservative capital investment programmes and banks slowly strengthening their balance sheets, weighed down with non-performing loans.

With only a modest fillip to personal consumption later in the year from the June income tax cuts, GDP growth for the year may only just be positive.

Certainly, the fact that Japan is three years behind the US economic recovery suggests that the market has the potential to offer substantially greater capital gains than the US over the next few years, justifying some portfolio shifting. But with US earnings still rising sharply, too great a move could mean missing out on a final North American bull run.

The greatest risk in Japan is another sharp rise in the value of the yen to the dollar, which could squeeze off the incipient recovery.

The continuing trade friction between Washington and Tokyo means that the danger of the US talking up the yen is not going to go away.

Japanese concessions over the past few weeks – including Friday's announcement of a sharp jump in semi-conductor imports – have taken a little heat out of the issue. But it may boil up again if the Clinton administration finds inadequate the unilateral market-opening initiatives which Tokyo is promising to produce shortly.

Even so, it is hard to see the yen appreciating to greater than Y100 to the dollar, and it could fall to between Y100 and Y115 later in the year on the back of economic recovery and a falling trade surplus.

■ The Oscars

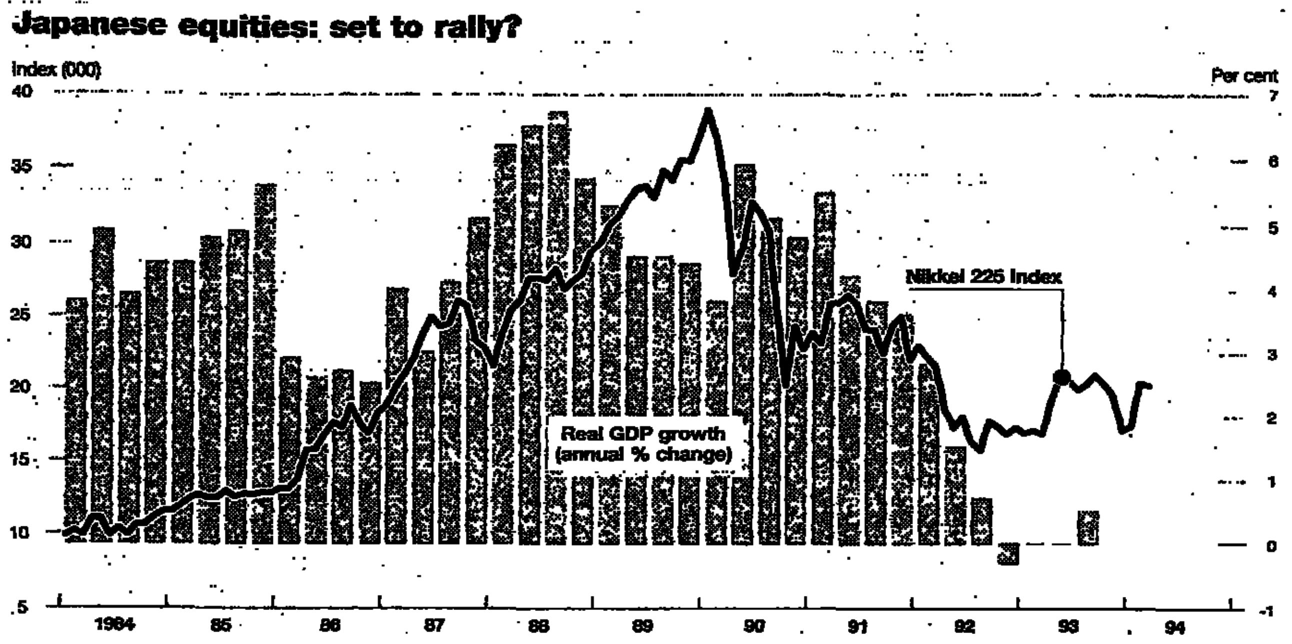
The big question facing Tinseltown is how many Oscar awards Steven Spielberg will pick up for the much-acclaimed Schindler's List.

The awards will give a much needed fillip to Universal Studios and its parent MCA, owned by Japan's Matsushita Group, which were responsible not only for Schindler's List but for Spielberg's far bigger hit of last year, Jurassic Park.

But the Oscars are not a particularly good guide to film industry investment stocks. Warner Brothers, the studio owned by Time Warner, may not feature prominently in the Oscars, but it has been top of the US box office league for the past three years, thanks in no small measure to its steady, long-time management team.

Time Warner stock has been weak recently because its cable television arm has been hit by government-mandated rate reductions. But, with the multi-media age looming, the shares look cheap, and have the added attraction of a potential bid stock, since Canada's Seagram drinks group has built up a 13 per cent stake.

Japanese equities: set to rally?



Source: Datastream

Total return in local currency to 17/3/94

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.06	0.04	0.12	0.12	0.15	0.09
Month	0.29	0.19	0.51	0.54	0.71	0.43
Year	3.50	3.06	6.63	8.75	10.69	5.63
Bonds 3-5 year						
Week	0.22	0.16	0.59	0.37	0.39	-0.66
Month	-1.41	-1.79	-0.50	-0.43	-0.90	-1.53
Year	3.39	5.28	7.59	11.73	20.45	7.07
Bonds 7-10 year						
Week	0.67	0.33	-0.83	0.49	1.06	-1.13
Month	-2.62	-3.45	-1.49	-1.58	-2.25	-3.40
Year	4.03	5.25	8.25	13.99	27.76	9.22
Equities						
Week	1.3	1.9	0.4	1.4	1.5	–0.2
Month	0.1	5.9	0.7	–2.0	–2.5	–5.1
Year	7.3	21.6	26.9	21.5	43.2	18.1

Best performing stocks from FT-A World Indices in local currency to 17/3/94

		% change		
	Close	Week	Month	Year
Kemper Corp. (USA)	60.75	49.5	48.6	94.4
Carena Dev. Corp.(Can)	2.15	24.3	–6.9	13.2
Jenbacher Werke (Aus)	1885.00	21.6	23.6	16.0
Highveld Steel (S.A.)	24.00	20.0	33.3	114.3
Union y Fenix (Spa)	1600.00	19.2	–3.0	–51.6
Victor Co of Japan	1560.00	18.6	56.1	81.7
US Shoe (USA)	16.88	17.4	27.4	45.2
Grumman Corp. (USA)	64.25	17.1	64.7	94.0
Kureha Chemical (Jap)	556.00	16.7	27.3	43.3
Louisiana Land (USA)	41.50	16.1	5.4	0.6

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Economic Eye / **David Walton**

Conundrum of assessing inflation credibility

Following the examples set by New Zealand and Canada, the UK and Sweden have both adopted explicit inflation targets. While such an objective can be helpful in establishing a coherent framework for monetary policy, it offers no guarantee that the target will be adhered to or is credible.

A key issue relates to a phenomenon known as "time inconsistency". In essence governments may say one thing, but find that it is in their interest to do something different.

Suppose, for example, the government stated that its objective was to secure zero inflation and that initially this was believed by wage bargainers. Wage settlements would then be struck on the basis of zero price inflation. But would it be optimal for the government to deliver this? Almost certainly not. If, instead, the government engineered a little bit of inflation, companies would find that prices were increasing faster than costs, making it attractive to take on more workers.

From the government's perspective, for the price of a small increase in inflation unemployment would have been lowered.

This is not the end of the story. The fall in unemployment would have come about because the government had managed to "trick" workers into believing that it would deliver zero inflation, thereby forcing them to accept a cut in real wages. Workers would be unlikely to fall for that again.

The "time consistent" policy is one where inflation is at a level where the cost of "cheating" by the government exactly outweighs the benefits. This may coincide with the government's official target, but it could easily not. Crucially, it is this level of inflation that will get built into wage settlements over the longer term.

Such a situation may be developing in the UK. The Governor of the Bank of England continually stresses his commitment to reducing inflation into the lower half of the 1 to 4 per cent target range. Yet no government in the last 30 years has ever achieved this. If, instead, people come to believe that the authorities would be content with inflation simply within its target range, then it could prove impossible ever to lower inflation substantially below 3 to 4 per cent without a further deep and damaging recession.

A further issue relates to the difficulty of forecasting inflation. Inflation responds with long and variable lags to monetary policy changes. This means that the UK authorities are obliged to set interest rates with a view to securing underlying inflation within its target range in one or two years' time.

To achieve this they need to be confident in their ability to forecast inflation developments. Yet the government's poor track record in delivering consistently low inflation in recent years clearly calls this into question.

One promising approach for the authorities to pursue is to take greater account of the expectations of inflation contained in financial markets. Market expectations should embody all the available information on inflation and these expectations provide an immediate guide to the credibility of the government's stated inflation target.

This information is captured to a large extent in the yield curve. The standard yield curve shows the average interest rate expected over the period to maturity of bonds outstanding. It is more useful to turn the yield curve around to derive implied forward rates. Thus, for instance, the yield on a two-year bond can be re-expressed as the yield on a one-year bond together with the yield expected on another one year bond in one year's time, along with any risk premium that investors may require in case their expectations are not fulfilled.

If we assume that this risk premium is small, then the forward curve will show the time path of short-term interest rates expected by the market. Furthermore, changes in the shape and level of the forward rate curve will carry important information about changes in market expectations for the path of interest rates and inflation.

Developments in the UK forward interest rate curve over the past six weeks are shown in the accompanying graph. Prior to the base rate cut on February 8, market expectations were for interest rates to rise gradually over the next few years, settling down eventually at about 7.5 per cent. Following the base rate cut, short-term interest rates obviously fell, but the forward rate curve suggests that lower rates are not expected to be sustained beyond one year. After six years, interest rates expectations are actually higher than they were prior to the base rate cut.

This shift in the forward rate curve can be interpreted directly as a worsening in long-term inflation expectations. In other words, the last base rate cut was viewed by UK financial markets as damaging the credibility of the government's inflation target.

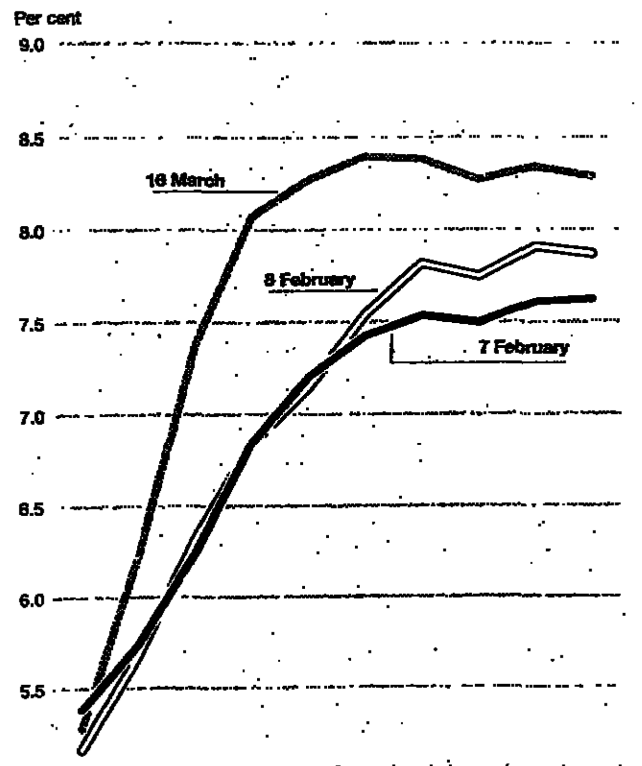
Since then there has been a further upward revision to interest rate expectations. Compared with the situation prevailing in early February, interest rates are now expected to be about 1 per cent higher from 1997 onwards, with rates expected to stabilise eventually at close to 8.5 per cent. The bulk of the deterioration would seem to reflect a further worsening in inflation expectations.

Real yields on index-linked gilts are running at just under 3.5 per cent for maturities beyond five years. Even if we allow for an inflation risk premium on conventional gilts relative to index-linked gilts, it would now seem that the market no longer believes that the government's inflation target will be achieved over the longer-term.

This is a marked turnround from the situation prevailing at the time of the Bank of England's last inflation report and should be of concern to the authorities. If the UK government is serious about reducing inflation into the lower half of the target range, it may soon have to think seriously about the possibility of raising interest rates to bolster its anti-inflation credibility.

David Walton is senior international economist with Goldman Sachs.

UK one year forward interest rates



Source: Goldman Sachs

WORLD BOND MARKETS: This Week

NEW YORK — Martin Dickson

The US bond markets will be dominated this week by tomorrow's meeting of the Federal Reserve Bank's policy-making Open Market Committee, amid widespread speculation it will sanction a further tightening of US monetary policy.

Market analysts are braced for the Fed Funds rate to rise from its current 3.25 per cent to 3.50 per cent over the next few weeks, possibly as early as the next few days, as the Fed tries to rein back the rapid rate of US economic expansion.

The market will have several hurdles to face during the week, as well as two substantial auctions of Government paper: $17bn of two-year Treasury notes on Tuesday and an $11bn sale of five-year notes the next day.

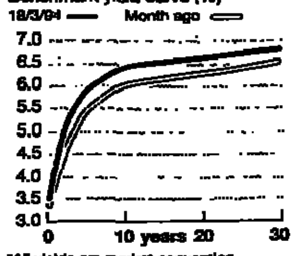
Wednesday will also see the publication of durable goods orders for February. Stripping out defence and transport equipment, which tend to distort the statistics, the market is expecting orders to rise for the eighth successive month, with analysts' forecasts ranging from 1 to 3.5 per cent.

Friday will bring figures for existing home sales for February, which are expected to show a sharp rebound during the month.

Thursday could also bring further market nervousness over the Whitewater political affair, concerning President and Mrs Clinton's investment in a controversial Arkansas land development scheme.

US

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

LONDON — Philip Coggan

The gilt market faces a new week in a fragile state after another volatile trading day on Friday.

For some time now, the market has been unable to focus on what, by and large, have been favourable UK economic fundamentals, because gilts have been caught up in weakness of the international bond markets.

Last week's statistics were on balance positive, with a lower than expected public sector borrowing requirement and weak producer prices figures offsetting the upturn in average earnings.

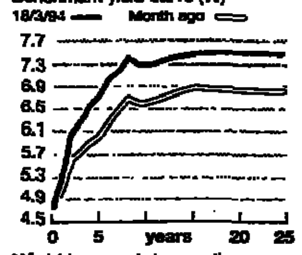
The announcement of a March 30 gilt auction, the first floating-rate note issue for some time, was generally seen as positive, since it may tap a new appetite for gilts among banks and building societies.

The main economic figure this week will be the inflation numbers for February, published on Wednesday. The market consensus is that the headline rate will drop from January's 2.5 per cent to 2.2 per cent while the underlying rate (excluding mortgage payments) will fall from 2.8 per cent to 2.6 per cent.

A weak RPI number may allow the authorities to make a further 0.25 per cent cut in base rates. However, they could easily decide to wait until after the next meeting between the Governor of the Bank of England and the Chancellor, on March 30, before making their move.

UK

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

FRANKFURT — David Waller

The six-point cut in the securities repurchase agreement or repo rate to 5.88 per cent last week signalled the Bundesbank's willingness to maintain its slow relaxation of monetary policy.

This was not enough, however, to temper the market's disappointment over the reluctance of the central bank to cut either the Lombard or the discount rate last Thursday.

This week, the prevailing unhappy mood on the bund market is unlikely to be reversed by preliminary data on inflation for March.

This is likely to be down from a year-on-year rate of 3.4 per cent in February, showing progress towards the 2 point something the German central bank is expecting by the end of the year.

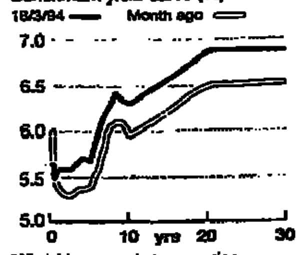
But with M3 money supply growth seemingly out of control, the Bundesbank cannot cut rates generously even if wanted to.

A further reminder of M3 distortions will come this week with the figure for February. Following a 20 per cent-plus rise for the seasonally adjusted, annualised January figure, M3 growth in February is likely to be at least 16 per cent.

Even if this can be explained away by special factors, such a figure is still highly embarrassing in relation to the Bundesbank's M3 target corridor of 4 to 6 per cent for 1994.

Germany

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

Expectations of a further improvement in the economy and worries over extra supply will continue to weigh on the Japanese government bond market.

The market is closed today for a national holiday, but investors are focusing on the spate of important economic figures to be announced later in the week.

Gross domestic production figures for the fourth quarter of last year are expected to confirm weakness in the economy at the end of last year. Market participants are expecting annualised negative growth of around 3.4 per cent.

Leading economic indicators of business sentiment are expected to rise to a four-month high, while household consumption for January is also projected to reflect the recent pick-up in spending by households, which are now tired of scrimping and saving.

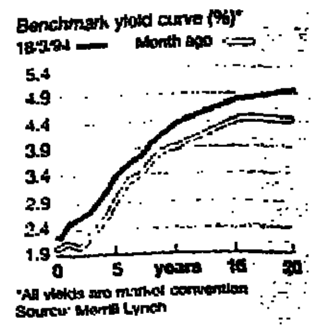
Such data is expected to prompt a further shift in the perception of the economy, and prevent a rise on the bond markets.

The Bank of Japan, however, is poised to continue to allow short-term money market rates to remain at low levels due to the high level of demand for funds ahead of the business year-end.

Investors are also expected to remain cautious ahead of an increase in bond issuance by municipal governments starting next month.

Japan

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

Capital & Credit / Tracy Corrigan

Decoupling from US yet to take place

The latest sell-off in the world's bond markets at the end of last week showed plainly that a definitive "decoupling" of European bonds from the US market has yet to take place.

The sharpest falls in European bonds came on Friday as US bond prices tumbled on the news that Mr Alan Greenspan, the Federal Reserve chairman, had been summoned to the White House by President Bill Clinton.

But European bond markets looked vulnerable even before the latest panic over US interest rate movements. The economic fundamentals still point to further rate cuts in Europe – but the lesson of the last two months has been that economic fundamentals are not enough to drive markets.

"We spent most of the week pushing the market up gently, then it was another classic Thursday and Friday, with no rate cut (from the German Bundesbank) and interest rate uncertainty in the US. The worrying thing is that there is just nothing on the horizon to entice any buyers back into the market," said the head of trading at one London house.

There are, on the other hand, plenty of things to worry about, as the market started churning out rumours – that Mr Greenspan plans to resign; that several large gilt market-makers are unloading large loss-making positions; that Japanese fund managers are poised to dump bonds and buy equities when they return to the market at the start of their new financial year in April.

The short-term outlook in the US seems to be for more pain, with many traders now hoping the Fed will raise rates by half a point this week, rather than prolong the agony with small, ¼ point hikes. In fact, many dealers are now cursing the Fed's failure to act more firmly first time round.

"The Fed is now in a no-win situation: if they don't tighten next Tuesday, people will think the administration is running monetary policy and that there will be a tendency to keep rates low, allowing inflation to rise. And if they hike by ¼ point, people will say the Fed's move has been moderated by the administration," said Mr Keith Edmonds, chief analyst at IBJ International.

Mr Jouni Kokko, international economist at S.G Warburg believes that people would prefer a bigger rate hike: "That would mean 'that's it for the time being' and would calm inflationary fears."

European monetary authorities also find themselves in rather a tight spot. "Everyone thought that dollar weakness would eventually help, giving more room to lower rates in Europe whatever happens in the US, but that has not happened."

European markets are also becoming weighed down by supply worries, he says, describing last week's French BTAN (short-dated government bond) auction as disappointing.

The German market, which has, it seems, partially decoupled from the US, continues to outperform other markets, despite weakness at the long end.

Mr Kokko expects a "fairly big repo cut of five to 10 basis points" this week. The previous repo rate was set at 5.88 per cent but the call money rate has fallen to 5.75 per cent.

The gilts market, meanwhile, has fared particularly poorly, as the UK market is more closely linked to the US – perhaps logically, since the UK is ahead of continental Europe, and therefore closer to follow the US in raising interest rates.

The yield spread between 10-year gilts and Bunds has almost doubled, from 62 basis points a month ago to 114 basis points late Friday.

However, selling is still concentrated in the futures rather than cash markets.

Dealers said that some investors who had sold futures to hedge cash positions several weeks ago had returned to the market to buy back their short position too early, and the market weakness at the end of last week forced further futures selling.

"Conventional fund managers are reducing their overweight positions in bonds into [market] strength," said Mr Paul Abberley, head of fixed income at Lombard Odier's London-based fund management arm. "We knew that would be a problem for the market on the way up, but it has happened very quickly."

Fund managers are also shortening the duration of their bond holdings, because the short end of the market is generally considered safer, and likely to benefit most from rate cuts when they come.

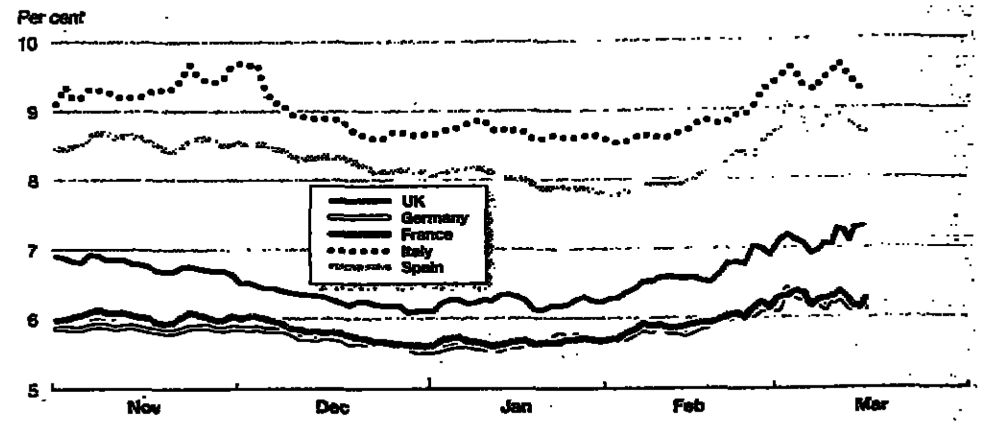
"We have done a little bit of shortening using structured medium-term notes with embedded swaps," said Mr Abberley. The notes have a redemption value based on one-year German, French and Italian swap rates.

"We still like the 10-year end of the market but, risk-adjusted, the short end looks better," Mr Abberley said.

While a German rate cut would undoubtedly help get the market moving again, many fund managers now feel that they need to rebalance their portfolios, shifting away from bonds.

"Lots of fund managers are going into their quarterly meetings and deciding that, at least for the moment, cash is king again," said one trader.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.25	7.00[1]	8.00	6.25[2]
Overnight	3.19	2.16	5.75	6.12	8.12	4.75
Three month	3.57	2.37	5.68	6.10	8.13	5.12
One year	4.33	2.43	5.43	5.81	8.18	5.25
Five year	5.94	3.21	5.63	5.89	9.30	6.78
Ten year	6.47	4.02	6.38	6.38	9.58	7.37

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110-19	109-20	-1-02	110-24	109-19	15,259	35,654
Jun	109-20	108-22	-1-00	109-25	108-19	440,982	374,418
Sep	108-23	107-26	-0-30	108-27	107-24	1,848	39,965

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Exch 13¼pc 1994		100⅞	-2	1,100	Ap27 Oc27	20.9	1267
Treas. 10pc Ln. 1994‡‡		101⅛	-2	1,900	Ja9 De9	2.11	1284
Exch 12½pc 1994		103⅛	-2	1,240	Fe22 Au22	17.1	1263
Treas 9pc 1994‡‡		102⅝	-1	1,900	My17 Nv17	11.10	1345
12pc 1995		105¹¹⁄₁₆	-1	2,350	Ja25 Jy25	20.12	1294
Exch 3pc Gas 90-95		97¹³⁄₁₆	—	214	My1 Nv1	27.9	1271
10¼pc 1995		106½	-1	2,500	Ja21 Jy21	15.12	1254
Treas 12¾pc 1995‡‡		111½	-2	840	My15 Nv15	11.10	1298
14pc 1996		114½	-2	770	Ja22 Jy22	16.12	1305
15¼pc 1996‡‡		118⅝	-3	1,150	My3 Nv3	27.9	1309
Exch 13¼pc 1996‡‡		114½	-3	800	My15 Nv15	11.10	1268
Conversion 10pc 1996		109¼	-3	3,409	My15 Nv15	11.10	1240
Treas 13¼pc 1997‡‡		117½	-3	1,290	Ja22 Jy22	16.12	1302
Exch 10½pc 1997		111	-3	3,700	Fe21 Au21	17.1	1253
Treas 8¾pc 1997‡‡		107	-4	5,550	Mr1 Se1	24.1	1341
Exch 15pc 1997		126⅝	-4	830	Ap27 Oc27	20.9	1269
9¾pc 1998		110⅜	-5	3,550	Ja19 Jy19	13.12	1273
Treas 7¼pc 1998‡‡		102⅛xd	-4	7,850	Mr30 Se30	21.2	–
Treas 6¾pc 1995-98‡‡		101⅜	-3	1,200	My1 Nv1	27.9	1331
14pc '98-1		125¾	-4	970	My22 Nv22	18.10	1306
Treas 15½pc '98‡‡		133⅛xd	-5	935	Mr30 Se30	21.2	1308
Exch 12pc 1998		119⅜	-8	3,809	My20 Nv20	14.10	1258
Treas 9½pc 1999‡‡		110⅛	-6	1,900	Ja15 Jy15	9.12	1347
Five to Fifteen Years							
Exch 12¼pc 1999		121⅛xd	-6	3,050	Mr26 Se26	17.2	1264
Treas 10½pc 1999		114⅛	-6	1,252	My19 Nv19	13.10	1288
Treas 6pc 1999 ‡‡		96½xd	-6	3,900	Fe10 Au10	4.1	–
Conversion 10¼pc 1999		114⅜	-6	1,798	My22 Nv22	18.10	1242
9pc 2000‡‡		109¼	-9	5,358	Mr3 Se3	25.1	1244
Treas 13pc 2000		127⅜	-1.0	3,171	Ja14 Jy14	8.12	1299
10pc 2001		113⅜	-1.0	4,406	Fe26 Au26	20.1	1280
7pc '01 ‡‡		98⅝	-1.0	3,250	My6 Nv6	–	–
7pc '01 A		48½	-1.9	2,500	My6 Nv6	–	–
9¾pc 2002		114⅝	-8	6,527	Fe27 Au27	21.1	1349
8pc 2003‡‡		104⅛	-9	7,600	Ja10 De10	3.11	–
10pc 2003		116⅜	-8	2,503	Mr8 Se8	31.1	1281
Treas 11½pc 2001-4		121xd	-9	1,620	Mr19 Se19	10.2	1290
Funding 3½pc '99-4		77⅛	-1.0	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004		114⅜	-8	3,412	Ap25 Oc25	20.9	1246
Treas 6¾pc 2004‡‡		95⅞	-9	3,250	My26 Nv26	–	–
6¾pc 2004 A		95⅝	-8	3,000	My26 Nv26	–	–
Conv 9½pc 2005		114⅜xd	-7	4,842	Ap18 Oc18	14.3	1247
Treas 12½pc 2003-5		131⅜	-8	2,200	My21 Nv21	15.10	1295
7¾pc 2006‡‡		102⅛	-1.0	3,900	Mr8 Se8	31.1	–
8pc 2002-6‡‡		102⅛xd	-1.4	2,000	Ap5 Oc5	1.3	1334
Treas 11¾pc 2003-7		125⅛	-9	3,150	Ja22 Jy22	16.12	1293
Treas 8½pc 2007 ‡‡		107¼	-1.9	5,497	Ja16 Jy16	10.12	1339
13½pc '04-8		139⅜xd	-8	1,250	Mr26 Se26	17.2	1301
Treas 9pc 2008 ‡‡		112⅛xd	-1.4	5,321	Ap13 Oc13	7.3	1343
Over Fifteen Years							
Treas 8pc 2009		103⅞xd	-1.6	3,100	Mr25 Se25	15.2	1336
Treas 6 1/4pc 2010		88⅛	-3.5	2,750	–	–	–
Conv 9pc Ln 2011 ‡‡		113⅜	-1.6	4,273	Ja12 Jy12	6.12	1245
Treas 9pc 2012‡‡		113¾	-1.6	5,150	Fe6 Au6	31.12	1701
Treas 5½pc 2008-12‡‡		81⅛	-2.8	1,000	Mr10 Se10	1.2	1330
Treas 8pc 2013‡‡		104⅛xd	-1.8	4,950	Mr27 Se27	18.2	–
7¾pc 2012-15‡‡		101⅞	-2.2	800	Ja26 Jy26	20.12	1332
Treas 8¾pc 2017‡‡		112¾	-1.8	6,950	Fe25 Au25	19.1	1982
Exch 12pc '13-'17		142⅛	-1.6	1,000	Ja12 De12	5.11	1260
Undated							
Consols 4pc		50⅛	-3.4	359	Fe1 Au1	29.12	1239
War Loan 3½pc‡‡		45⅜	-3.0	1,909	Ja1 De1	25.10	1362
Conv 3½pc '61 Aft.		61¼xd	-2.5	119	Ap1 Oc1	23.2	1243
Treas 3pc '66 Aft.		37⅛xd	-3.0	56	Ap5 Oc5	1.3	1324
Consols 2½pc		32⅛xd	-2.8	275	5JaApJyOc	1.3	1238
Treas. 2½pc		31⅛xd	-3.2	475	Ap1 Oc1	21.2	1315
Index-Linked	(b)						
Treas. 2pc '94	(102.9)	137⅜	0.1	900	My16 Nv16	11.10	5070
2pc '96	(67.9)	200⅛	-2	1,200	Mr16 Se16	7.2	1313
4⅝pc '98‡‡	(135.6)	109⅜	-3	800	Ap27 Oc27	20.9	–
2½pc '01	(78.3)	170⅞xd	—	1,500	Mr24 Se24	15.2	1316
2½pc '03	(78.8)	166⅜	-1	1,050	My20 Nv20	14.10	1317
4⅜pc '04‡‡	(135.6)	113⅛xd	0.1	850	Ap21 Oc21	14.9	–
2pc '06	(69.5)	175⅛	-4	1,550	Ja19 Jy19	13.12	1314
2½pc '09	(78.8)	157⅝	-4	1,550	My20 Nv20	14.10	1318
2½pc '11	(74.6)	164⅛	-8	1,800	Fe23 Au23	17.1	1319
2½pc '13	(89.2)	135½	-5	2,300	Fe16 Au16	10.1	1320
2½pc '16	(81.6)	144⅛	-6	2,400	Ja26 Jy26	20.12	1321
2½pc '20	(83.0)	139⅞xd	-7	2,400	Ap16 Oc16	10.3	1322
2½pc '24‡‡	(97.7)	116¾	-6	1,900	Ja17 Jy17	13.12	1323
4⅛pc '30‡‡	(135.1)	116¼	-7	1,300	Ja16 Jy22	16.12	–

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1993: 141.0 and for January 1994: 141.3.

Other Fixed Interest

	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
African Dev 11¼ 2010	130⅛	—	50	Ja4 Jy4	1.12	–
Asian Dev 10¼pc 2009	122⅛	—	100	Mr24 Se24	28.3	–
B'ham 11½pc 2012	130	-1.9	45	My15 Nv15	17.4	1837
Ireland Cap 8½pc '10	108½	-2.0	303	Ap1 Oc1	–	1485
9pc Cap 1996	101½	—	725	Ja30 Jy30	–	–
13pc '97-2	111½	-7	315	Ap1 Oc1	28.8	1428
Hydro Quebec 15pc 2011	155⅜	—	40	My31 Nv30	27.10	–
Leeds 13½pc 2006	140⅛	-1.4	40	Ap1 Oc1	3'93	3148
Liverpool 3½pc Irred.	40½	-2.4	5	1JaApJyOc	1.6	3188
LCC 3pc '20 Aft.	36	-2.7	26	1MrJeSeDe	1.8	–
Manchester 11½pc 2007	128	-1.9	6	Ap25 Oc25	30.3	3275
Met. Wtr. 3pc 'B'	72½	-1.4	25	Mr1 Se1	1.8	3361
N'wide Anglia 3⅞pc 2021	141	-1.1	60	Ja30 Jy30	1'93	3465
4¼pc IL 2024	136	-9	50	–	20.7	–
Utd Mex States 16½pc 2008	148	-1.5	50	Mr1 Se1	27.8	–

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Sara Webb

Investors bank on decisive Italian poll

When Italy's voters go to the polls on March 27 and 28, they will have a vast array of parties – on the right, left and centre – from which to choose and a new electoral system to try out, consisting of a mixture of first past the post and proportional representation.

For the Italian government bond market, however, the primary concern is whether a stable government can be formed.

Bond market investors want to see a government which has a working majority, and which has a commitment to tackling the budget deficit, keeping inflation under control, and pushing ahead with the privatisation programme.

Economists point out that on paper, at least, the economic fundamentals and background to the Italian government bond market look good.

Italy was one of the best performing government bond markets in local currency terms last year and investors piled in for the high yields and scope for capital gains as interest rates declined.

However, as with most of the other European government bond markets, 1994 has not been so rosy. Italy has witnessed a sharp back-up in yields – from 8.5 per cent on 10-year bonds in early February 1994 to 9.8 per cent in early March.

This reflects the general unease over US inflationary prospects, heavy selling by big investors, such as the US-based hedge funds, irritation at the slow pace of easing by the Bundesbank, and political uncertainty at home.

Yet, as Mr Julian Jessop, international economist at Midland Global Markets, points out, Italian inflation remains well under control with an annual rate of 4.2 per cent in January and February.

"The fall in inflation since 1990 has undoubtedly been facilitated by the recession, but the labour market reforms of the past two years should mean that inflation stays low despite economic recovery," he says, forecasting an average inflation rate of 3.7 per cent in 1994 and 3.1 per cent in 1995.

On the budget deficit, Mr Marco Pianelli, southern European economist at Nomura Research Institute Europe, argues that due to lower financing costs this should "come well below the L144,200bn target, even in the absence of supplementary measures."

Mr Jessop points out that on the debt front, Italy is expected to over-fund in 1994 by L30,000bn in order to take into account the big jump in bond redemptions, from L78,000bn in 1994 to L178,000bn in 1995, and says this implies net issuance in 1994 of around L175,000bn which he believes should be manageable.

Meanwhile, the privatisation programme is expected to generate funds which will be used to repay debt.

There are concerns that some of the proceeds could be diverted to other parts of the state holding companies rather than used to pay off debt, but even so, Mr Jouni Kokko, European economist at S.G. Warburg Securities, says these privatisation proceeds "should make a significant contribution to pay off debt rather than fund current expenditure".

As inflation comes down, and as the Bundesbank continues to cut interest rates (albeit at a snail's pace over recent months) there should be scope for the Bank of Italy to lower its key discount rate, and for the bond market to rally.

Mr Kokko is forecasting a 10-year yield spread of 230 basis points over German bunds in 12 months' time, against the recent 310 basis points.

However, the difficulty lies in predicting the short-term scenario. The uncertainty comes from whether or not a workable majority can form after the election, with many economists admitting that they are unsure whether there will be a centre-left coalition or a centre-right alliance, or a hung parliament.

"Picking the winner of the Italian election ... is a mug's game," says Mr Jessop.

"It doesn't matter what it is, just as long as it's a decisive majority," says Mr Andre da Silva, bond strategist at PaineWebber.

If a stable coalition forms quickly, the bond market ought to rally strongly.

Mr Pianelli at Nomura points out that "the environment is very good for the bond market, so the market would fly if it got a stable coalition", such as one formed between the socialist PDS and centre parties, or by the right wing parties (Berlusconi's Forza Italia, the Northern League, and the National Alliance) and the centre parties.

If the PDS managed to form a stable coalition and it kept Mr Ciampi as prime minister, the market would be even happier.

However, both Mr Pianelli of Nomura and Mr Kokko of S.G. Warburg Securities believe this particular scenario of an easily-formed coalition is highly unlikely.

"None of the three big alliances is likely to get a majority, and even if they do, they will be fragile coalitions. After the election there will probably be a lot of horse-trading and it will be difficult to find a sensible coalition," says Mr Kokko.

Against such a background, the bond market is likely to remain nervous and volatile and the spread over German government bonds will probably widen initially.

NEW INTERNATIONAL BOND ISSUES

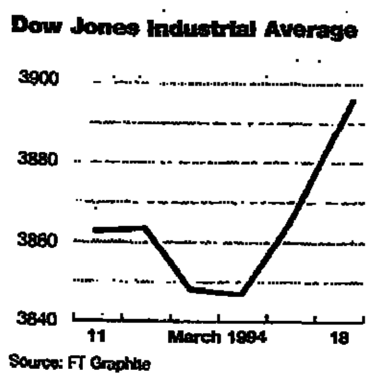
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Uniden Corp.(a)◊	180	Mar.1998	1.00	100.00	-	-	Nomura International
Chld Corp.(b)★◊	50	Mar.1998	1.25	100.00	-	-	Fuji Bank (Schweiz)
Banks Shuter Co.(c)◊	100	Mar.1998	1.00	100.00	-	-	Nomura International
Toa Corp.(d)◊	150	Mar.1998	1.25	100.00	-	-	Nikko Europe
Crédit Local de France	200	Apr.1999	6.25	99.738R	6.313	+28 (5½%-99)	Fuji Intl. Finance
Korea Development Bank‡	200	Apr.1999	(e)	99.95R	-	-	IBJ Asia
Pessaro, Cayman‡	150	Mar.1999	(f)	100.00R	-	-	Nomura Intl. (HK)
New Zealand(g)‡	1bn	Apr.1999	(j)	99.78R	-	-	Morgan Stanley/ UBS
Petroleos Mexicanos‡	200	Apr.1997	(k)	100.00R	-	-	Chase Investment Bank
Petroleos Mexicanos‡	200	Apr.1997	(l)	100.00R	-	-	Swiss Bank Corp.
Hydro-Quebec‡	500	Apr.1999	(o)	99.18R	-	-	CS First Boston
IMI Finance‡	150	Apr.1999	(q)	99.80R	-	-	Merrill Lynch Intl.
Freeport Terminal(Malta)(u)	205	Mar.2009	7.50§	99.861R	7.520	+115(5⅞%-04)	Bankers Trust Intl.
Nippon Kinzoku Co.★‡	100	Apr.1998	(v)	100.00	-	-	Fuji Intl. Finance
European Inv'ment Bank(w)‡	100	Oct.2002	(x)	variable	-	-	Kidder Peabody Intl.
Banco CCF Brazil★	60	Mar.1995	7.75§	100.00	7.75	-	Socimer Intl. Bank
D-MARKS							
Ford Credit Europe	200	Mar.1999	6.00	99.36R	6.155	+50 (5¾%-98)	Merrill Lynch Bank
SGZ‡	100	Apr.2004	(n)	101.40	-	-	DG Bank
YEN							
Daiwa Intl.Finance(Cay)(g)§	50bn	Mar.1998	(g)T§	100.00	-	-	Salomon Brothers Intl.
Japan Airlines Company★‡	10bn	Apr.1998	(m)	100.25	-	-	IBJ International
Mitsubishi Corp. Finance	10bn	Jun.1997	(h,q)	100.00	-	-	IBJ International
Panasonic Finance Neths.	5.3bn	Jul.1997	3.35	100.75	-	-	Merrill Lynch Intl.
FRENCH FRANCS							
Philips	1bn	Apr.2002	6.875	99.55R	6.950	+85 (8½%-02)	CCF
CANADIAN DOLLARS							
Bank for Dutch Municipalities	150	Apr.1997	6.50	99.86R	6.553	+23 (r)	ABN Amro Bank
Toyota Motor Credit Corp.(b)	150	Dec.1997	6.25	99.975R	6.60	+21 (t)	Wood Gundy
Asfi-Cger Nico(b)	75	Dec.1997	6.50	99.55R	6.66	+37 (t)	Wood Gundy
GUILDERS							
European Investment Bank	300	Apr.2002	6.00	99.60R	6.065	+3 (t)	Rabobank Nederland
Hoogovens(y)§	275	Apr.2001	4.50	100.00	-	-	ABN Amro Bank
ITALIAN LIRE							
Republic of Austria(a)	200bn	Oct.2004	8.50	100.15	-	-	Deutsche Bank London
AUSTRALIAN DOLLARS							
BNP Pacific (Australia)	75	Apr.1997	6.50	100.875	6.246	-	Hambros Bank
ESCUDOS							
European Investment Bank‡	15bn	Mar.1999	(s)	100.00	-	-	BPI
DRACHMAS							
World Bank	15bn	Apr.1997	15.50	100.875	15.12	-	Midland Athens
SWISS FRANCS							
Sudwestdeutsche LB Cp.Mts.	100	Apr.1999	4.25	102.25	3.748	-	Lehman Bros.(Switz.)
G.M. Pfaff, (Natha.)(f)★§	85	Apr.2000	2.50	100.00	-	-	Bankers Trust (Switz.)
LUXEMBOURG FRANCS							
Republic of Finland	2bn	Apr.2001	6.50	101.60	6.211	-	Kredietbank Lux.
Groupe Bruxelles Lambert Fin.	5bn	May.2001	7.00	102.00	6.634	-	Crédit Européen

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ◊With equity warrants. ★Private placement. §Semi-annual coupon and yield. R: fixed re-offer price. a) Denom: $10,000 +2 wrts. Ex price: Y3782. FX: 106.95Y/$. b) Denom: $10,000 +2 wrts. Ex price: Y718. FX: 106.50Y/$. c) Denom: $10,000 +2 wrts. Ex price: Y802. FX: 106.95Y/$. d) Denom: $10,000 +2 wrts. Ex price: Y737. FX: 107.30Y/$. e) 6-mth Libor +0.9%. f) 6-mth Libor +1.2%. g) Exchangeable into Daiwa Bank shares at Y1087. Exchange price is revised annually on March 31 at 2½% over prevailing market price, within predetermined bands. g1) Steps down from 2¼% to 1¾% at varying rates per 25% of nominal. h) Short 1st coupon. i) Callable on any coupon date from Apr.96 at par. j) 3-mth Libor -⅛%. k) Series one: 3-mth Libor +0.65%. Interest accrues on days 3-mth Libor is no more than 50bp higher or 25bp lower than the Libor set for the period. l) Series two: 3-mth Libor +0.85%. m) 3-mth Libor +¼%. n) 3-mth Libor flat. o) 3-mth Libor -⅛%. p) 5¼% fxd in 1st 2 yrs and 6-mth Libor flat, min 5½%, max 7¼%, thereafter. q) 3% to 27/6/96 and 3.8% thereafter. Callable on 27/6/96 at par. r) Over interpolated yield. s) 6-mth Libor -0.275%. t) Conv price: DM244.42. FX: 0.8482 SFr/DM. Coupon and redemption proceeds paid in DM. Callable after 1 yr, subject to 150% rule, at 100% falling ½%pa. Putable on 14/4/98 at 117.4%. u) Sinking fund: average life 10 yrs. v) 3-mth Libor +0.275%. w) Bloch trade. Fungible with outstanding $500m. Plus 160 days accrued. x) 6-mth Libor -⅛%; min 5%, max 8¼%. y) Conv price: Fl 75. Callable from 11/4/97 to give yield of 6.78% or at par if share price exceeds conv price for 30 consecutive days. Greenshoe: Fl 55m. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK Frank McGurty

Shares set to tumble if Fed tightens



Source: FT Graphite

Is the Federal Reserve poised to lift short-term interest rates for a second time in two months? Most Wall Street analysts are convinced it will do so today or soon after the Fed's policy-making session tomorrow. But rate increase or not, the perceived threat is sure to bear heavily on investor sentiment this week.

If the Fed strikes, stocks are expected to tumble, just as on February 4, when the central bank lifted its Federal Funds target by 25 basis points to 3.25 per cent. That day, the Dow Jones Industrial index plummeted 96 points and has regained scant ground since then.

Opinions vary over just how far equities would fall this time, and how soon they would begin to rebound.

Mr Peter Cardillo, director of research at Westfalia Investments in New York, believes the market's rate concerns are already sufficiently priced into stock values. If the Fed decides to nudge up the Fed Funds target another 25 basis points, he expects a "knee-jerk reaction" by stocks, followed by a quick recovery.

But Mr David Shulman, equity strategist at Salomon Brothers in New York, takes a more pessimistic view of the market's intermediate prospects. He finds no compelling reason to revise his investment house's forecast of a 4 per cent Fed Funds rate by June, accompanied by a 10 per cent "correction" in share prices.

Since reaching its apex of 3,978.36 five days before the Fed's first strike, the Dow is down a net 82 points, or about 2 per cent, at 3,895.65. If Mr Shulman is correct, the index has a long way to go before hitting bottom.

Several other factors are likely to influence stocks this week. Unfortunately, their effect is likely to be negative, and that could exaggerate any sell-off that may follow a move to more restrictive rates.

At Kemper Securities in Chicago, Mr Gregory Nie says technical factors suggest the market is "over-bought" and expects it to begin working off some of the excess during the week, regardless of whether a policy change is forthcoming from Washington.

Institutional investors are also starting to look ahead to the end of the first three months of the year, with an eye to putting "window-dressing" on their quarterly reports to clients.

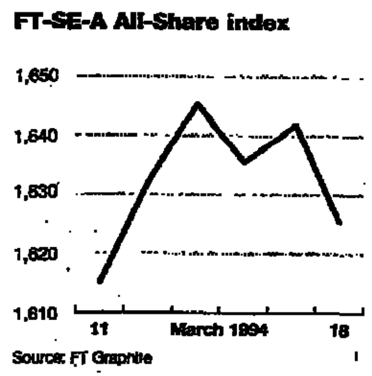
With a net decline in the S&P 500 in prospect this quarter and the unfavourable trend in interest rates, Kemper's technical analyst fears portfolio managers may make a "dash for cash" as March 31 draws near. A heavy outflow of funds from the market could badly damage stock values.

But what if the Fed chooses to remain on the sidelines? Mr James Solloway, director of research at Argus in New York, is one of the minority who takes such a view.

Given the economic fundamentals and the sharp reaction to last month's rate boost, he argues the Fed will hold its fire. If so, he says, "pessimism has reached such an extreme, we are likely to be on the verge of a decent rally this week".

LONDON Terry Byland

At the fickle mercy of US securities



Source: FT Graphite

The stock market continued to take its medicine manfully last week – smiling when the construction sector delivered a fresh batch of dividend increases and then grimacing when the UK and global bond traders showed they still had the power to disrupt the share market as well as their own. *The flow of data on the* domestic economy tended to confirm investors' belief that the British consumer is proving a poor leader for economic recovery.

It is clear that equities will remain strongly influenced by the gilt-edged market until the institutions have finished reshaping their portfolios in the light of the rise in bond yields since the beginning of February. Shares are still at the mercy of sudden swings of mood in bonds and, with the Bundesbank effectively sidelined for a month, are now at the fickle mercy of the US Federal securities market.

It is difficult to be sanguine ahead of a trading week which will include a meeting of the Federal Open Market Committee, auctions of $28m in US short-term bonds, trade figures on both sides of the Atlantic, and be topped up by an Opec meeting. The latest domestic retail price index arrives at mid-week, but *should not* change the timescale for the next cut in base rates.

"Rebalancing the recovery away from consumption . . ." sums up the new view taken of the stores sector by BZW, and others in the market. The UK investment bank, pinpointing "the problem that the economy has in sustaining consumer-led growth", believes that the weakening of gross margins in the stores sector over Christmas will continue, perhaps for a full 12 months.

Combined with the effective breakdown of orderly, non-price competition in such areas as the electrical, DIY and durable goods sectors, this implies an unusually risky outlook for the stores sector. Such strong names as Marks and Spencer, GUS and Boots are benefiting from the protection afforded them by brand franchises, cost advantages and the difficulties any upstart rival would find in entering their established markets. At the other end of the defensive scale, Argos, Dixons and Kingfisher are identified by BZW as facing vulnerable profit margin structures; gross margins on DIY are around five points below those for the industry average already.

Longer-term views on the stock market are still bullish. "The bull market is now well established," is the opinion at Strauss Turnbull, which expects domestic interest rates *to fall to 5 per cent very soon.* Downward pressures on European rates and benign inflation in the UK should balance UK tax rises in April.

The overall opinion is still that rates will come down, the economy will recover and this combination can only be good for share prices in the medium term. But the underlying worry is that the bond market may have already decided that interest rates are going higher later this year and that the stock market may have already discounted all the recovery on offer at present.

INDICES AT A GLANCE

	Closing price	Percentage Change Over week	On 12 months	Since Jan 1	12 month High		Low		1994 High		Low	
FT-SE 100	3,218.10	+0.8	+11.8	-5.9	3,520.30	2/2/94	2,786.30	6/5/93	3,520.30	2/2/94	3,191.90	11/3/94
Dow Jones Ind.	3895.65	+0.9	+12.4	+3.8	3,978.36	31/1/94	3,370.81	2/4/93	3,978.36	31/1/94	3,756.60	3/1/94
Nikkei	20,469.45	+1.8	+9.3	+17.5	21,148.11	13/9/93	16,078.71	29/11/93	20,677.77	16/3/94	17,369.74	4/1/94
Dax	2,155.61	+2.4	+27.1	-4.9	2,267.98	3/1/94	1,603.04	24/5/93	2,267.98	3/1/94	2,020.33	2/3/94
CAC 40	2,221.34	+2.1	+13.1	-2.1	2,355.93	2/2/94	1,835.72	17/5/93	2,355.93	2/2/94	2,144.66	2/3/94
Banca Com. Ital.	674.52	+1.4	+35.7	+8.9	689.03	18/2/94	475.01	31/3/93	689.03	18/2/94	588.85	10/1/94

FT Graphite

OTHER MARKETS

FRANKFURT

Bayerische Hypobank opens the German banks' reporting season *tomorrow with Hoare Govett* forecasting a 27.8 per cent rise in operating profit for 1993, the strongest rate of increase for the sector. Vereinsbank, whose figures come on Thursday, is expected to show a 26 per cent rise. Full-year figures from Veba on Thursday are expected to show a continuation of the trend seen at nine months, when net profits fell 14 per cent.

Tomorrow sees the start of the *subscription period for Porsche's* one-for-four rights issue, aimed at raising DM200m to help fund new sports car developments.

PARIS

A busy week is in store for financial sector, where stocks have been recouping some lost ground recently. UAP is due to report today, with NatWest Securities forcasting net profit rising by 39 per cent to FFr 1.5bn. Flat figures are expected from Cie Bancaire and Crédit National when they report tomorrow. Consensus estimates are for a 7 per cent rise in net profits from Société Générale on Friday.

MILAN

Another busy week for the soon to be privatised telecommunications sector is expected as the country *prepares to go to the polls next* Sunday and Monday. With no further opinion polls permitted ahead of the vote, the market is likely to be dominated by speculation about the likely composition of the new coalition administration.

ZURICH

Georg Fischer, the engineering group which is heavily dependent on the depressed German motor industry, is expected to post a full-year loss of around SFr40m to SFr45m tomorrow. However, many analysts believe that the worst may now be over for the restructured engineering group as the global economy begins to pick up.

Sandoz is due to report on Thursday and consensus estimates are for a 13 per cent rise in net profit to about SFr1.7bn.

TOKYO

The market faces a final round of profit-taking ahead of the March book closing, although foreign demand remains strong. However, figures for household spending in January and the diffusion index of business and economic conditions could support share prices.

RISK AND REWARD

Currency overlay strategies find wider appeal

The currency overlay, long a practice of US investors, is slowly making its way across the *Atlantic* and is attracting increasing attention from UK fund managers.

Since good value in a bond or stock market does not necessarily mean good value in its currency, portfolio managers can use overlay strategies to separate their currency decision from their underlying bond or equity decision. This enables them to offset their currency risk, and in some cases to enhance their returns.

Imagine a UK pension fund with a 15 per cent holding in US equities, says Mr Les Halpin, chief executive at Record Treasury Management. "We would hedge the currency exposure on that position so that, if the dollar drops, the fund is short dollars," he says. *Conversely, "if the dollar rises,* we would try to ensure the fund is neutral on the currency position so that it benefits from the rise."

European bond markets last year provided a classic example of the benefits of overlay, says Mr John Stopford, bond and currency manager at Guinness Flight. The high-yielders – Italy, Spain and Scandinavia – offered the best-performing bond markets but the worst-performing currencies. "If you had held bonds unhedged you would have gained on the bonds, but lost on the currencies. By separating the two investment decisions, you could benefit from both the fixed-income and the currency element."

Guinness Flight has been using overlay strategies on its international bond portfolios for years. The fixed-income allocation of its Global Bond Fund currently includes a 5 per cent holding in US Treasuries, 20 per cent in Italian bonds and 10 per cent each in Australian, Spanish, Danish, Japanese bonds and gilts. The fund's currency exposure diverges markedly: 57½ per cent is held in US dollars, 15 per cent in Australian dollars, 10 per cent in Italian lire and 5 per cent each in Canadian dollars and Swedish kronor.

Rather than seeking merely to limit their downside risk, more and more money managers are using dynamic currency strategies to boost their returns.

"You increase your exposure to foreign currencies when they strengthen and reduce it when they weaken," says Mr Reza Vishkai, director of international equity research at US consultants Rogers Casey. This strategy protects investors' downside but allows them to participate in the upside.

According to Mr Avinash Persaud, head of currency research at J.P. Morgan, there is good reason why currency overlay has taken so long to catch on in Europe.

"Correlations between bonds and currencies switch from positive to negative depending *on the force of European convergence,"* he says. In an environment of currency stability, as between 1987 and 1992, currencies and bonds perform as though they were the same asset class.

But in an environment of divergence, as in the UK since September 1992 when it left the European exchange rate mechanism, "bonds and currencies have become very separate asset classes and currency overlay adds significant risk reduction to a portfolio," he says. Between October 1993 and January 1994, sterling's 5 –6 per cent rise contrasted with a 2.5 per cent fall in 10-year gilt prices.

Currency markets have been relatively calm since the ERM turmoil. However, "currencies will continue to be volatile, and there are gains to be made," predicts Ms Celia Cull, director of fixed income at BZW Investment Management. BZW last year developed a currency trading model. "If it is successful, an overlay product may fall out of it," she says.

Conner Middelmann

EMERGING MARKETS: This Week

The Emerging Investor / Patrick Harverson

Hostage to US interest rates

In 1993, the flood of US money into overseas financial assets was one of the driving forces behind the bull market in the debt and equity of developing countries. Such was investors' appetite for foreign securities, that last year more US money poured into stock and bond markets in Asia and Latin America than in any previous 12-month period.

Yet the past few months have not been so kind to emerging markets. In February, *rising US long-term interest rates* – which quickly pushed up rates in Europe – unnerved investors in emerging markets, leading to heavy selling of stocks and bonds.

Since then, prices on most emerging markets have fallen, in many cases far enough to wipe out the gains earned from a strong start in January.

How are US investors react*ing to this unexpected setback?* It is a crucial question, because if the recent declines prompt US investors to withdraw the money that has been keeping stock and bond prices in Latin America and Asia buoyant this past year, many emerging markets would be in danger of collapse.

So far, however, there seem to be few signs of panic. According to traders and analysts in New York, most investment institutions, pension funds and insurance companies have reacted relatively calmly to the February and early March declines.

Yet, the immediate outlook for emerging debt markets is not bright. The selling began when interest rates in the US and Europe began to rise sharply in early February. When bond prices in Latin America and other emerging markets began to tumble, US dealing houses were caught with sizeable long positions.

With US funds, Japanese, European and US banks, and hedge funds also selling into a declining market, liquidity rapidly deteriorated, and "the Street" (the US dealers) was *left sitting on a mountain of* emerging market debt which they could not shift.

As one trader at a big US securities house explains: "I have estimated – and the numbers check out with people around here – that there is between $2bn and $5bn of emerging market bonds on the Street that need to be moved along to clear up the inventory accumulation. This will not happen in days: it will take weeks, probably months."

Yet, there are buyers out there, says Mr Peter Frey, head of emerging markets institutional sales at JP Morgan in New York. "The only consistent source of demand for bonds [recently] has come from US institutions, predominantly mutual funds and insurance companies."

Mr Frey says some US funds are buying because they believe that prices are heading in the right direction over the longer term. Also, he points out that US institutions have plenty of resources committed to tracking those markets.

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	%
Banco Do Brasil (Pfd)	Brazil	0.0248	0.0045	22.41
Sadia Concordia Ind. (Pfd)	Brazil	0.0125	0.0021	19.62
Electrobras (pfd)	Brazil	0.3333	0.0533	19.03
Corticeira Amorim	Portugal	14.1753	2.2561	18.93
Aracruz Celulose (Pfd)	Brazil	3.5982	0.5658	18.66
Nobleza Piccardo	Argentina	4.3491	0.5488	14.44
Banco Itau (Pfd)	Brazil	0.2525	0.0299	13.41
Light Servicos de Eletricade	Brazil	0.3889	0.0406	11.64
First Philippine Holdings B	Philippines	2.7199	0.2516	10.19
Manila Electric Company B	Philippines	15.5938	1.2563	8.78

Source: Baring Securities

Mr Mark Siegel, head of emerging markets at Putnam, the US mutual fund group, agrees, and his funds have been buying recently because they lightened their positions at the end of 1993 and had cash to spare.

"If you kept your powder dry, based on the assumption that the shape of the price curve was ridiculous at the end of the year, you've been able to buy at bargain prices." Yet, Mr Siegel admits, "no matter how intellectually well briefed you might be, when you get into one of these downdrafts, it can be very uncomfortable".

While some US investors have been hunting bargains, there has still been a great deal of selling. Investors in some funds which specialise in emerging markets have seen money flowing out recently.

The New Markets Income Fund run by Fidelity, the biggest US fund group, has shrunk in size from a peak of $358m at the end of January, to just $200m.

Mr Robert Citrone, who runs the Fidelity fund, admits that there have been plenty of redemptions recently, but points out that the fund is only $38m smaller than it was at the start of 1994.

"The very short-term and trading-oriented investors felt they had to get out during the correction," says Mr Citrone. Yet, he says, some of that money is beginning to trickle back, and the total amount that the entire Fidelity group has invested in emerging markets is up $1bn from the start of the year to $8.5bn.

Mr Citrone says the big funds, which hold only pieces of emerging markets, viewed the recent losses as a good opportunity to buy cheaply.

The situation is a little different in emerging equities markets, where the recent declines were not as worrying as they were in bonds.

While there is evidence that some US investors have lightened their positions lately, Mr Juan Mesa, head of Latin American research at JP Morgan, points out that most of the damage in emerging stock markets was caused by domestic investors selling stocks.

"As we have seen with the Nafta situation in Mexico, the people who are the most frightened [by uncertainty] are always the locals."

Mr Mesa points out that if US investors had been big sellers of emerging markets in Latin America, trading volumes would have been very high. Yet, he says, volume has been low, most notably in Mexico, where average daily trading volume dropped from 190,000 shares a day in January to 130,000 in February and March.

One US fund manager who has been selling emerging markets is Ms Kelly McDermott, who runs two global equity funds for the Dreyfus fund group in New York. Last year she had more than 35 per cent of her funds invested in emerging markets. That figure is now down to about 18 per cent, because, she says, "the downside is bigger than the upside over the next few months."

Ultimately, the performance of emerging markets depends greatly on what happens to US interest rates. As Ms McDermott says: "The bigger question is what happens to the overall flow of funds, and that will be dictated by what happens to interest rates. If you see money coming out of mutual funds generally, that will be a problem for emerging markets."

News round-up

■ Hungary acts to curb insider trading

Hungary's stock market authorities have acted to curb insider trading and boost the confidence of investors drawn to the Budapest bourse since *it began to take off in the new* year, writes Nicholas Denton in Budapest.

The state securities supervisor, in an unprecedented step, has asked the police to conduct a criminal investigation into a suspicious rise in the share price of Novotrade in late 1993.

The supervisory authority is also conducting an investigation into heavy trading – 20 times the normal volume – in Danubius Hotels shares on January 27.

The wave of buying anticipated the announcement that three US institutional investors were paying $23.6m for 29 per cent of Danubius. The share price leapt 120 per cent on the next day of trading.

The stock exchange authorities reject accusations that half of all activity is fuelled by inside information and officials say that Budapest is no worse than any other market.

Nevertheless, the stock exchange is aware that there is a problem and is putting new emphasis on enforcement of trading rules.

"These cases show that the regulators are not sleeping," said Mr Jozsef Rotyis, chief executive of the Budapest stock exchange.

Hungary last month also instituted stricter penalties for insider trading. The use of privileged information to make a profit through securities trading now carries a prison sentence of up to three years.

The BSE hopes that a new system of automatic computerised trading, introduced this month to handle growing volume, will also serve to curtail market manipulation.

Action against stock market malpractice is all the more vital for Budapest's reputation now that the market has attracted the interest, and the scrutiny, of western funds. Budapest has been one of the best performing emerging markets so far this year with its IFC index rising 43 per cent in dollar terms since last December.

The collapse last month of Lupis, one of the largest domestic brokerages, has also spurred the authorities to supervise financial markets more firmly. Lupis allegedly diverted clients' funds to its own account in a vain attempt to stave off bankruptcy.

■ Warsaw

Mr Marian Rajczyk, president of Bank Slaski, resigned on Thursday.

The bank has been in the news recently following criticisms over the pricing of its offer for privatisation.

The country's finance minister has already resigned, partly over the controversy.

■ Indonesia

Moody's, the international rating agency, has assigned an investment grade rating of Baa3 to the foreign currency debt issued by the Republic of Indonesia.

Moody's said the rating reflects the marked economic progress that Indonesia has made and the government's strides in fostering free market principles.

The agency said the rating also takes into account that Indonesia still has a debt service ratio of nearly 30 per cent, along with a modestly high level of foreign currency debt.

Some $97m of $300m worth of floating rate notes issued by Indonesia in 1986 and due in 2001 is still outstanding.

● Further coverage of emerging markets appears daily on the World Stock Markets page.

Baring Securities emerging markets indices

Index	18/3/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (248)	160.44	-3.79	-2.31	-21.16	-11.56	-7.97	-4.73
Latin America							
Argentina (19)	112.55.	-0.69	-0.61	-24.06	-17.61	-2.84	-2.46
Brazil (20)	197.57.	2.47	1.26	-7.61	-3.71	59.72	41.48
Chile (12)	168.14	-3.94	-2.29	-16.38	-8.88	20.60	13.98
Mexico (24)	142.83	-6.94	-4.51	-31.87	-18.24	-18.44	-11.44
Latin America (75)	156.42	-3.12	-1.96	-23.44	-13.05	7.00	4.69
Europe							
Greece (14)	100.55	0.52	0.52	3.14	3.22	17.48	21.01
Portugal (14)	130.23	0.13	0.10	-3.82	-2.85	18.10	16.14
Turkey (22)	74.15	-16.05	-17.79	-59.37	-44.47	-87.56	-54.15
Europe (50)	108.31	-2.98	-2.68	-12.56	-10.39	-3.93	-3.50
Asia							
Indonesia (17)	157.71	-0.63	-0.40	-12.09	-7.12	-13.33	-7.80
Korea (23)	120.06	-3.22	-2.61	-5.91	-4.69	10.36	9.44
Malaysia (22)	199.13	-8.53	-4.11	-12.63	-5.96	-53.92	-21.31
Philippines (11)	254.34	2.29	0.91	-45.52	-15.18	68.14	-21.13
Thailand (21)	197.70	-8.45	-4.10	-39.62	-16.70	-65.85	-24.99
Taiwan (29)	134.54	-0.82	-0.61	-13.36	-9.03	-19.17	-12.47
Asia (123)	182.76	-5.34	-2.84	-18.92	-9.38	-38.65	-17.46

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCY MARKETS Philip Gawith

Nerves on edge ahead of Fed meeting

Foreign exchanges will this week focus on the meeting of the Federal Open Market Committee which is expected to herald a further tightening of US monetary policy.

Although the market has dis*counted* a 25 basis points increase in the Federal funds rate, nerves are on edge following the unscheduled meeting last Friday between President Clinton and Mr Alan Greenspan, chairman of the Fed.

When the Fed last tightened policy, on February 4, foreign exchanges remained largely immune from the ensuing turmoil in financial markets. Anxiety remains, however, because a further divergence in US and European interest rates could prompt shifts in international asset allocation which would affect currencies.

Indeed, a key issue in the weeks ahead will be the extent to which US and European interest rates can decouple. Put differently, how fast can the Bundesbank ease policy while the Fed is tightening?

This is important for the dollar, weaker now than before the Fed raised rates, because some observers believe the US currency will strengthen only if German interest rates are cut sharply.

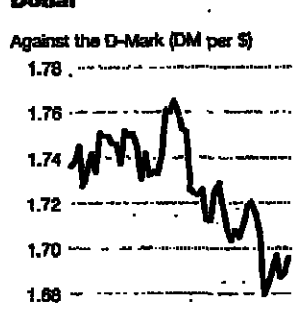
This issue is also important for European currencies. Mr Paul Chertkow, head of global currency research at UBS, argues that "the still cautious monetary stance *of the* Bundesbank, in circumstances of bond market deterioration, threatens to renew strains within the ERM". He believes that the French franc is most vulnerable to such pressures.

In the UK, the key concern is whether a good retail inflation figure on Wednesday will prompt a cut in interest rates.

Opinion is divided. Some argue the government will want lower rates to offset higher taxes that take effect next month. Others are firmly opposed. Mr Steve Hannah, head of research at IBJ Inter*national, says if the Bank of* England cuts rates again, "It will run an enormous risk of further eroding the confidence of the marketplace".

He predicts a "very definite chance" that a cut in base rates will see the pound slip into the DM2.45 to DM2.50 range.

Dollar



Source: FT Graphite

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 18 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Mar 18 / Frs.)

[illegible]

DENMARK (Mar 18 / Kr)

[illegible]

FINLAND (Mar 18 / Mkk)

[illegible]

FRANCE (Mar 18 / Frs.)

[illegible]

GERMANY (Mar 18 / Dm.)

[illegible]

ITALY (Mar 18 / Lire)

[illegible]

NETHERLANDS (Mar 18 / Fls.)

[illegible]

NORWAY (Mar 18 / Kroner)

[illegible]

SPAIN (Mar 18 / Pts.)

[illegible]

SWEDEN (Mar 18 / Kronor)

[illegible]

SWITZERLAND (Mar 18 / Frs.)

[illegible]

PACIFIC

JAPAN (Mar 18 / Yen)

[illegible]

AUSTRALIA (Mar 18 / Aust$)

[illegible]

HONG KONG (Mar 18 / H.K.$)

[illegible]

MALAYSIA (Mar 18 / MYR)

[illegible]

SINGAPORE (Mar 18 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Mar 18 / Can $)
4 pm close

[illegible]

MONTREAL (Mar 18 / Can $)
4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Mar 18 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ **TOKYO - MOST ACTIVE STOCKS:** Friday, March 18, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Honshu Paper	11.5m	825	+55	Toshiba	7.2m	803	-5
Nippon Steel	11.5m	354	-6	Kawasaki Steel	6.4m	375	-3
Hitachi	9.6m	972	+2	Kurabo Inds	5.6m	451	+10
NEC	8.0m	1,110		Nippon Carbon	5.4m	486	+37
Sanyo Electric	7.7m	528	+18	Fujitsu	5.1m	1,080	

INDICES

[illegible]

Malaysia					
KLSE Comp.(4/4/86)	1007.06	1027.30	(c)	1314.46 5/1/94	614.28 13/1/93

** Sat Mar 12: Taiwan Weighted Price 5271.10; Korea Comp Ex 303.42. Base values of all Indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 18 - 2140.39 -20.06

US INDICES

[illegible]

■ **RATIOS**

[illegible]

■ **STANDARD AND POORS 500 INDEX FUTURES** $500 times index

[illegible]

Open interest figures are for previous day.

■ **CAC-40 STOCK INDEX FUTURES** (MATIF)

[illegible]

Open interest figures for previous day.

■ **NEW YORK ACTIVE STOCKS** ■ **TRADING ACTIVITY**

	Stocks traded	Close price	Change on day				
[illegible]							
Citicorp	4,888,700	39¼	-1¼	Unchanged	629	609	624
Telefonos	4,607,300	38¾	-1¾	New Highs	85	95	89
Gen Motors	4,278,200	60¾	-¼	New Lows	70	45	69

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Thornton Unit Managers Ltd (1200)F						
33 Queen Street, London EC4R 1AP 071-246 3000						
Dealing 071-246 3001						
American Smllr Cos	5	70.98	70.98	75.71	0.00	4500
(Accum Units)	5	73.21	73.21	78.08	0.00	4707
Dresdner Europe Bd	5	42.27	42.27	44.43	8.53	4625
(Accum Units)	5	61.12	61.12	64.26	8.53	4675
European	5	282.19	282.19	299.03	0.85	4779
(Accum Units)	5	293.08	293.08	298.96	0.85	4033
Exempt	2½	548.28	548.28	572.71	3.34	4034
(Accum Units)	2½	1778.09	1778.09	1857.40	3.34	4035
Iberian Growth	5½	50.41	50.41	53.83	0.02	4046
Intl Growth	5	111.10	111.10	118.41	0.58	4047
(Accum Units)	5	120.97	120.97	128.93	0.58	4048
Japan Tst	5	93.54	93.54	99.77	0.00	4513
(Accum Units)	5	93.54	93.54	99.77	0.00	4514
Little Dragons	5	97.38	97.38	103.86	0.45	4515
(Accum Units)	5	100.25	100.25	106.93	0.45	4516
Nth Amer Grwth	5	237.18	237.18	252.31	0.62	4050
(Accum Units)	5	284.58	284.58	313.36	0.62	4051
Oriental Income	5	48.52	48.52	51.75	4.78	4518
(Accum Units)	5	63.95	63.95	68.21	4.78	4517
Preference	5½	130.11	130.11	138.41	7.88	4052
(Accum Units)	5½	631.25	631.25	671.54	7.88	4053
Tiger	5	273.89	273.89	292.14	0.56	4520
(Accum Units)	5	287.75	287.75	306.93	0.56	4521
UK Blue Chip	5	64.52	64.52	68.91	2.87	4764
(Accum Units)	5	67.98	67.98	72.69	2.87	4765
UK Growth	5½	530.83	530.83	564.71	2.10	4060
(Accum Units)	5½	1175.51	1175.51	1250.54	2.10	4061
UK High Yield	5½	108.99	108.99	117.61	3.27	4040
(Accum Units)	5½	343.05	343.05	364.94	3.27	4041
UK Recovery	5½	284.04	284.04	302.17	1.78	4484
(Accum Units)	5½	517.72	517.72	550.77	1.78	4485
UK Smllr Cos	5	109.80	110.31	117.37	1.71	4523
(Accum Units)	5	125.61	129.74	138.75	1.71	4524
UK Smaller Cos Div	5½	109.12	109.12	116.08	4.18	4056
(Accum Units)	5½	182.54	182.54	194.18	4.18	4057
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	33.20	33.73	35.88	-	4588
Pacific Basin	6	41.44	41.44	44.08	0.80	4589
Can Balncd Grth	6	36.50	36.50	38.82	-	4590
Global Rang	4	0.8141	0.9141	0.9521	5.79	4591
Penny Share	6	31.22	31.22	33.21	1.50	4592
Whittingdale Unit Tst Mngmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0482						
Challenger	2½	98.50	98.50	100.8	0.00	4595
Short Dtd Gilt	1¼	112.4	112.4	113.9	0.00	4597
U.S. Govmt Bond	1¼	0.7741	0.7741	0.7333	2.27	4598
Gilt Income	4	52.68	52.68	54.80	6.75	4010
Gilt Growth	4	72.55	72.55	75.50	0.00	4008
City Reserve	0	52.16	52.16	52.17	4.18	4005

OTHER UK UNIT TRUSTS

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-Line
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	278.9	290.5	-	41608
Equity Ser. 1	176.3	185.6	-	41609
Prop. Acc. Ser 2	503.8	530.4	-	41610
Equity Ser 2	226.3	238.3	-	41611
Selective Acc. Ser 2	484.7	510.3	-	41612
Prop Ser. 4	392.3	413.0	-	41613
Equity Ser. 4	215.9	227.3	-	41614
Man. Ser. 4	676.6	712.3	-	41620
Fixed Int. Ser 4	344.3	362.5	-	41615
Indexed Inv. Ser. 4	209.6	220.7	0	41618
American Ser 4	526.5	554.3	-	41617
Japan Ser 4	381.1	401.2	-	41619
European Ser 4	168.9	177.8	-	41622
High Inc. Ser. 4	678.7	714.5	-	41616
Money Ser. 4	321.2	338.2	0.0	41621
Intl Ser. 4	195.4	205.7	-	47021
Custodian Ser 4	172.8	181.9	-	47022
Asian Pacific	205.0	218.0	-	46208
Ethical	140.3	147.7	-	46209
Protected Growth	109.4	115.2	-	43465
Pension Funds				
Property	763.1	803.4	-	41623
Equity	1720.8	1811.4	-	41624
Selective	551.4	580.5	-	41625
Managed	1458.5	1535.2	-	41626
Security	701.4	738.4	-	41627
Fixed Int.	441.2	464.5	-	41628
Indexed	236.8	249.3	-	41632
American	502.7	529.2	-	41630
Japan	434.6	457.4	-	41631
European	263.9	277.8	-	41629
High Income	208.1	219.1	-	46175
Ethical	212.4	223.6	-	46174
International	387.5	407.9	-	41633
Protected Growth	123.6	130.2	0	46209
Asian Pacific	88.7	93.4	-	61993
Abbey National Life Plc				
287 St Vincent Street, Glasgow 041 305 8000				
Managed	115.5	121.6	-	44577
UK Equity	115.7	121.8	-	44582
International	121.1	127.5	-	44583
Deposit	100.1	105.4	-	44584
Pension Managed	117.5	123.7	-	44585
Pension UK Equity	116.5	122.7	-	44586
Pension International	126.8	133.5	-	44587
Pension Deposit	102.0	107.4	-	44588
Acuma Life Assurance Ltd				
The Grange, Egham, Surrey TW2 9AT 0784 475333				
Fixed Interest	192.38	202.51	-	42165
Index Linked Stks	191.46	201.53	-	42166

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Mar 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.7832	+0.0977	727 - 938	17.7968	17.6888	17.7794	0.3	17.7738	0.2	-	-	113.7
Belgium	(BFr)	52.0281	+0.1998	978 - 584	52.0900	51.8905	52.0731	-1.0	52.1631	-1.0	52.3681	-0.7	114.8
Denmark	(DKr)	9.8976	+0.0403	918 - 033	9.9058	9.8655	9.9066	-1.1	9.9213	-1.0	9.9561	-0.6	114.6
Finland	(FM)	8.2495	+0.0348	406 - 583	8.2583	8.2010	-	-	-	-	-	-	81.3
France	(FFr)	8.6016	+0.028	979 - 052	8.6143	8.5757	8.6101	-1.2	8.627	-1.2	8.6493	-0.6	108.4
Germany	(DM)	2.5250	+0.0092	239 - 261	2.5316	2.5180	2.5266	-0.8	2.5295	-0.7	2.5297	-0.2	123.3
Greece	(Dr)	368.689	+2.176	404 - 974	369.974	366.982	-	-	-	-	-	-	-
Ireland	(I£)	1.0411	+0.003	398 - 424	1.0454	1.0394	1.0417	-0.7	1.043	-0.7	1.0489	-0.7	102.7
Italy	(L)	2498.20	+12.87	666 - 973	2499.73	2489.49	2504.7	-3.1	2519	-3.3	2568.45	-2.8	75.8
Luxembourg	(LFr)	52.0281	+0.1998	978 - 584	52.0900	51.8905	52.0731	-1.0	52.1631	-1.0	52.3681	-0.7	114.8
Netherlands	(Fl)	2.8391	+0.0124	378 - 403	2.8432	2.8269	2.8398	-0.3	2.8406	-0.2	2.837	0.1	118.3
Norway	(NKr)	10.9531	+0.0391	497 - 564	10.9726	10.8906	10.9474	0.6	10.96	-0.3	10.9511	0.0	84.9
Portugal	(Es)	259.936	+1.018	594 - 277	260.277	259.384	260.911	-4.5	262.856	-4.5	-	-	-
Spain	(Pta)	207.383	+0.66	274 - 492	207.589	206.865	207.933	-3.2	208.963	-3.0	212.818	-2.6	84.9
Sweden	(SKr)	11.7270	+0.0229	194 - 345	11.7605	11.6820	11.747	-2.0	11.7825	-1.9	11.8915	-1.4	76.8
Switzerland	(SFr)	2.1453	+0.0056	442 - 464	2.1512	2.1419	2.1438	1.0	2.1399	1.0	2.1189	1.2	117.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.6
Ecu	-	1.3082	+0.0047	077 - 087	1.3098	1.3049	1.3098	-1.3	1.312	-1.2	1.3164	-0.6	-
SDR†	-	0.938238	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4890	-0.0079	886 - 893	1.4939	1.4861	-	-	-	-	-	-	-
Brazil	(Cr)	1179.18	+11.83	897 - 938	1181.00	1161.00	-	-	-	-	-	-	-
Canada	(C$)	2.0376	-0.0111	369 - 383	2.0478	2.0340	2.0355	1.3	2.0331	0.9	2.036	0.1	88.1
Mexico	(New Peso)	4.9278	-0.014	195 - 360	4.9458	4.9195	-	-	-	-	-	-	-
USA	($)	1.4888	-0.0087	885 - 890	1.4942	1.4862	1.4867	1.7	1.484	1.3	1.4784	0.7	66.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0899	-0.0119	888 - 910	2.1037	2.0874	2.0884	0.9	2.0861	0.7	2.0841	0.3	-
Hong Kong	(HK$)	11.5069	-0.0635	046 - 092	11.5439	11.4883	11.4939	1.4	11.4885	0.6	11.4394	0.6	-
India	(Rs)	46.7021	-0.2745	905 - 137	46.8690	46.6260	-	-	-	-	-	-	-
Japan	(Y)	157.800	-0.419	761 - 838	158.880	157.590	157.47	3.0	156.765	2.8	153.545	2.7	184.2
Malaysia	(M$)	4.0501	-0.0183	480 - 511	4.0612	4.0447	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5998	-0.0075	977 - 018	2.6084	2.5906	2.6027	-1.3	2.607	-1.1	2.6156	-0.6	-
Philippines	(Peso)	41.0524	-0.2413	849 - 198	41.5695	40.7849	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5815	-0.0336	801 - 829	5.6024	5.5724	-	-	-	-	-	-	-
Singapore	(S$)	2.3582	-0.0104	570 - 593	2.3653	2.3549	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1314	-0.0032	294 - 333	5.1448	5.1096	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.8036	-0.0176	950 - 122	6.8135	6.7251	-	-	-	-	-	-	-
South Korea	(Won)	1201.05	-6.91	062 - 147	1205.07	1199.21	-	-	-	-	-	-	-
Taiwan	(T$)	39.2882	-0.2583	071 - 692	39.3692	39.2071	-	-	-	-	-	-	-
Thailand	(Bt)	37.6952	-0.1991	739 - 164	37.8030	37.6310	-	-	-	-	-	-	-

†SDR rate for Mar 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.9450	+0.135	400 - 500	11.9500	11.8890	11.9855	-2.1	11.9925	-1.6	12.0025	-0.5	103.2
Belgium	(BFr)	34.9475	+0.3375	330 - 620	34.9700	34.6800	35.0275	-2.7	35.1475	-2.3	35.4225	-1.4	104.4
Denmark	(DKr)	6.6483	+0.0658	455 - 510	6.6510	6.6145	6.6638	-2.8	6.6868	-2.3	6.7283	-1.2	103.6
Finland	(FM)	5.5412	+0.0556	362 - 462	5.5462	5.4944	5.5469	-1.2	5.5522	-0.8	5.5574	-0.3	76.3
France	(FFr)	5.7777	+0.0524	762 - 792	5.7805	5.7526	5.7916	-2.9	5.8132	-2.5	5.8504	-1.3	105.0
Germany	(D)	1.6961	+0.0161	958 - 965	1.6975	1.6867	1.6996	-2.4	1.7046	-2.0	1.7112	-0.9	104.9
Greece	(Dr)	247.650	+2.9	500 - 800	247.800	246.740	251.3	-17.7	258.15	-17.0	286.65	-15.7	71.1
Ireland	(I£)	1.4300	-0.0126	285 - 315	1.4339	1.4269	1.427	2.5	1.4224	2.1	1.4084	1.5	-
Italy	(L)	1678.05	+18.4	730 - 880	1678.80	1668.00	1684.8	-4.8	1697.4	-4.6	1737.3	-3.5	76.3
Luxembourg	(LFr)	34.9475	+0.3375	330 - 620	34.9700	34.6800	35.0275	-2.7	35.1475	-2.3	35.4225	-1.4	104.4
Netherlands	(Fl)	1.9070	+0.0194	065 - 075	1.9092	1.8940	1.9101	-2.0	1.9141	-1.5	1.919	-0.6	103.6
Norway	(NKr)	7.3572	+0.0681	562 - 582	7.3630	7.2920	7.3679	-1.8	7.3804	-1.3	7.3932	-0.5	95.0
Portugal	(Es)	174.600	+1.7	400 - 800	174.800	174.100	175.58	-6.7	177.04	-5.6	182.2	-4.4	93.0
Spain	(Pta)	139.300	+1.255	250 - 350	139.360	138.850	139.865	-4.9	140.81	-4.3	143.95	-3.3	80.3
Sweden	(SKr)	7.8771	+0.0613	733 - 808	7.8874	7.8434	7.9041	-4.1	7.9414	-3.3	8.0421	-2.1	82.3
Switzerland	(SFr)	1.4410	+0.0121	405 - 415	1.4445	1.4375	1.4418	-0.7	1.4419	-0.2	1.4333	0.5	104.0
UK	(£)	1.4888	-0.0087	885 - 890	1.4942	1.4862	1.4867	1.7	1.484	1.3	1.4784	0.7	89.2
Ecu	-	1.1381	-0.0107	378 - 383	1.1424	1.1370	1.1353	2.9	1.1311	2.4	1.1231	1.3	-
SDR†	-	1.40032	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	+0.0006	001 - 002	1.0002	0.9995	-	-	-	-	-	-	-
Brazil	(Cr)	792.058	+12.525	055 - 060	792.060	779.530	-	-	-	-	-	-	-
Canada	(C$)	1.3687	+0.0006	684 - 689	1.3699	1.3640	1.3692	-0.4	1.3701	-0.4	1.3772	-0.6	84.6
Mexico	(New Peso)	3.3100	+0.01	050 - 150	3.3150	3.2950	3.3116	-0.6	3.3144	-0.5	3.325	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.0
Pacific/Middle East/Africa													
Australia	(A$)	1.4038	+0.0003	033 - 043	1.4047	1.3992	1.4049	-0.9	1.4077	-1.1	1.4152	-0.8	87.5
Hong Kong	(HK$)	7.7293	+0.0028	290 - 295	7.7295	7.7255	7.73	-0.1	7.7341	-0.2	7.7528	-0.3	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.435	-2.5	31.57	-2.6	-	-	-
Japan	(Y)	106.035	+0.34	000 - 070	106.070	105.570	105.93	1.2	105.635	1.5	103.88	2.1	145.0
Malaysia	(M$)	2.7205	+0.0037	202 - 207	2.7259	2.7163	2.7145	2.6	2.698	3.3	2.7705	-1.8	-
New Zealand	(NZ$)	1.7463	+0.0052	452 - 473	1.7473	1.7289	1.7479	-1.1	1.7524	-1.4	1.7666	-1.2	-
Philippines	(Peso)	27.5750	-	000 - 500	27.7500	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7491	-0.0005	488 - 494	3.7498	3.7488	3.7515	-0.8	3.7558	-0.7	3.7746	-0.7	-
Singapore	(S$)	1.5840	+0.0023	835 - 845	1.5854	1.5812	1.584	0.0	1.584	0.0	1.6075	-1.5	-
S Africa (Com.)	(R)	3.4468	+0.018	460 - 475	3.4525	3.4265	3.4611	-5.0	3.4901	-5.0	3.5873	-4.1	-
S Africa (Fin.)	(R)	4.5700	+0.015	650 - 750	4.5800	4.5375	4.601	-8.1	4.665	-8.3	-	-	-
South Korea	(Won)	806.750	+0.1	600 - 900	806.900	806.100	809.75	-4.5	813.25	-3.2	831.75	-3.1	-
Taiwan	(T$)	26.3900	-0.025	400 - 400	26.4400	26.4100	26.4925	-4.7	26.64	-3.8	-	-	-
Thailand	(Bt)	25.3200	+0.015	100 - 300	25.3300	25.3000	25.39	-3.3	25.53	-3.3	25.67	-1.4	-

†SDR rate for Mar 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 17. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar.18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.02	16.53	4.853	2.001	4801	5.456	21.05	499.5	398.6	22.54	4.123	1.922	3.917	2.862	303.5	2.514
Denmark	(DKr)	52.57	10	8.691	2.551	1.052	2524	2.868	11.06	262.6	209.5	11.85	2.167	1.010	2.059	1.504	159.5	1.321
France	(FFr)	60.49	11.51	10	2.935	1.210	2904	3.300	12.73	302.1	241.1	13.64	2.494	1.163	2.369	1.731	183.6	1.521
Germany	(DM)	20.61	3.920	3.407	1	0.412	989.3	1.124	4.337	102.9	82.14	4.646	0.850	0.396	0.807	0.590	62.53	0.518
Ireland	(I£)	49.98	9.508	8.263	2.426	1	2400	2.727	10.52	249.7	199.2	11.27	2.061	0.961	1.958	1.430	151.7	1.256
Italy	(L)	2.083	0.396	0.344	0.101	0.042	100.	0.114	0.438	10.40	8.303	0.470	0.086	0.040	0.082	0.060	6.321	0.052
Netherlands	(Fl)	18.33	3.486	3.030	0.889	0.367	879.9	1	3.857	91.55	73.05	4.132	0.756	0.352	0.718	0.524	55.62	0.461
Norway	(NKr)	47.52	9.039	7.856	2.306	0.951	2281	2.593	10	237.4	189.4	10.71	1.959	0.913	1.861	1.360	144.2	1.195
Portugal	(Es)	20.02	3.808	3.310	0.972	0.401	961.1	1.092	4.213	100.	79.80	4.513	0.825	0.385	0.784	0.573	60.75	0.503
Spain	(Pta)	25.09	4.772	4.148	1.217	0.502	1204	1.369	5.280	125.3	100.	5.656	1.034	0.482	0.983	0.718	76.13	0.631
Sweden	(SKr)	44.36	8.438	7.333	2.153	0.887	2130	2.420	9.335	221.6	176.8	10	1.829	0.853	1.737	1.269	134.6	1.115
Switzerland	(SFr)	24.26	4.614	4.010	1.177	0.485	1165	1.324	5.105	121.2	96.69	5.469	1	0.466	0.950	0.694	73.61	0.610
UK	(£)	52.03	9.898	8.602	2.525	1.041	2498	2.839	10.95	259.9	207.4	11.73	2.145	1	2.038	1.489	157.9	1.308
Canada	(C$)	25.53	4.857	4.221	1.239	0.511	1226	1.393	5.373	127.5	101.8	5.756	1.053	0.491	1	0.731	77.48	0.642
US	($)	34.94	6.647	5.777	1.696	0.699	1678	1.907	7.354	174.6	139.3	7.878	1.441	0.672	1.369	1	106.0	0.878
Japan	(Y)	329.5	62.69	54.48	15.99	6.593	15820	17.98	69.35	1646	1313	74.29	13.58	6.333	12.91	9.430	1000.	8.284
Ecu		39.78	7.567	6.576	1.930	0.796	1910	2.170	8.372	198.7	158.6	8.968	1.640	0.765	1.558	1.138	120.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.5890	0.5870	-0.0023	0.5896	0.5859	60,993	88,787
Sep	0.5850	0.5853	-0.0023	0.5872	0.5847	222	2,733
Dec	-	0.5846	-0.0023	0.5860	0.5845	4	112

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.6951	0.6933	-0.0017	0.6973	0.6918	19,334	32,392
Sep	-	0.6941	-0.0017	0.6975	0.6930	39	260
Dec	-	0.6957	-0.0017	0.6980	0.6950	2	37

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.9485	0.9452	-0.0030	0.9496	0.9440	17,105	47,889
Sep	-	0.9503	-0.0029	0.9515	0.9495	124	1,668
Dec	-	0.9558	-0.0028	-	0.9552	45	384

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	1.4868	1.4870	-0.0012	1.4904	1.4818	10,853	25,087
Sep	1.4810	1.4840	-0.0010	1.4860	1.4790	88	618
Dec	-	1.4820	-0.0010	1.4854	1.4780	5	30

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
1.400	8.77	8.66	8.73	-	0.05	0.24
1.425	6.36	6.43	6.63	-	0.23	0.56
1.450	4.02	4.35	4.72	0.14	0.64	1.13
1.475	2.09	2.64	3.13	0.66	1.41	2.02
1.500	0.79	1.45	1.98	1.85	2.61	3.24
1.525	0.21	0.69	1.15	3.71	4.34	4.89

Previous day's vol., Calls 9,013 Puts 18,973. Prev. day's open int., Calls 492,680 Puts 387,303

UK INTEREST RATES

LONDON MONEY RATES

Mar 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 4	5 3/16 - 4 7/8	5 3/16 - 5	5 5/16 - 5 3/16	5 7/16 - 5 5/16	5 7/8 - 5 3/4
Sterling CDs	-	-	5 1/8 - 5 1/16	5 1/8 - 5 1/16	5 3/8 - 5 5/16	5 5/8 - 5 9/16
Treasury Bills	-	-	4 29/32 - 4 27/32	4 7/8 - 4 13/16	-	-
Bank Bills	-	-	4 29/32 - 4 27/32	4 29/32 - 4 27/32	4 29/32 - 4 27/32	-
Local authority deps.	5 3/16 - 5 1/16	4 15/16 - 4 13/16	5 1/16 - 5 1/16	5 3/16 - 5 1/16	5 5/16 - 5 1/16	5 5/8 - 5 9/16
Discount market deps.	5 - 4	5 1/16 - 4 15/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.8058pc. ECGD fixed rate Stg. Export Finance. Make up day February 28, 1994. Agreed rate for period Mar 26, 1994 to Apr 25, 1994, Schemes II & III 6.50pc. Reference rate for period Feb 1, 1994 to Feb 28, 1994, Schemes IV & V 5.265pc. Finance House Base Rate 5½pc from Mar 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Mar 18	Mar 11		Mar 18	Mar 11
Bills on offer	£200m	£200m	Top accepted rate	4.8132%	4.8132%
Total of applications	£671m	£709m	Ave. rate of discount	4.8056%	4.7881%
Total allocated	£200m	£200m	Average yield	4.8839%	4.8459%
Min. accepted bid	£98.800	£98.800	Offer at next tender	£200m	£200m
Allotment at min. level	75%	30%	Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 16 in today's edition.

■ Pound in New York

Mar 18	—Close—	—Prev. close—
£ spot	1.4905	1.4939
1 mth	1.4884	1.4919
3 mth	1.4829	1.4890
1 yr	1.4799	1.4833

FIXED INTEREST RATES

MONEY RATES

March 18	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	6 3/8	6¼	6⅛	6⅛	7.40	5.00	-
week ago	-	6 3/8	6¼	6 3/8	6 3/8	7.40	5.00	-
France	6⅛	6 3/8	6¼	6 1/16	5⅞	6.10	-	7.75
week ago	6 3/8	6 3/8	6¼	6 1/16	5 15/16	6.10	-	7.75
Germany	5.75	5.85	5.76	5.58	5.38	6.75	5.25	5.88
week ago	5.95	5.85	5.85	5.65	5.43	6.75	5.25	5.94
Ireland	6¾	6½	6⅛	6⅛	6⅛	-	-	6.75
week ago	6¾	6½	6⅛	6⅛	6⅛	-	-	6.75
Italy	8 3/8	8 5/8	8 3/8	8 5/8	8 3/8	-	8.00	8.92
week ago	8 5/8	8½	8⅞	8⅞	8⅞	-	8.00	8.92
Netherlands	5.53	5.47	5.29	5.18	5.16	-	5.25	-
week ago	5.53	5.47	5.30	5.21	5.18	-	5.25	-
Switzerland	4	4 3/8	4⅛	4	3⅞	6.625	4.00	-
week ago	4	4 3/8	4⅛	4⅛	3⅞	6.625	4.00	-
US	3¼	3½	3⅞	4⅛	4 3/8	-	3.00	-
week ago	3¼	3½	3⅞	4⅛	4 5/8	-	3.00	-
Japan	2⅛	2⅛	2¼	2¼	2 3/8	-	1.75	-
week ago	2⅛	2⅛	2¼	2¼	2 5/8	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3¾	3⅞	4⅛	4⅛	-	-	-
week ago	-	3¾	3⅞	4⅛	4⅛	-	-	-
US Dollar CDs	-	3.44	3.64	3.92	4.31	-	-	-
week ago	-	3.44	3.70	4.00	4.43	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3⅞	4	-	-	-
week ago	-	3⅞	3⅞	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6⅛; 6 mths: 6⅛; 1 year: 5⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 18	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6¼ - 6⅛	6¼ - 6⅛	6¼ - 6⅛	6⅛ - 6	6⅛ - 6	6 1/16 - 5 15/16
Danish Krone	5¾ - 5½	6¼ - 6	6¼ - 6	6⅛ - 5⅞	6⅛ - 5⅞	5⅞ - 5⅝
D-Mark	5⅞ - 5¾	5 13/16 - 5 11/16	5 13/16 - 5⅝	5 11/16 - 5 9/16	5 11/16 - 5⅝	5 9/16 - 5½
Dutch Guilder	5 9/16 - 5 7/16	5 9/16 - 5 7/16	5½ - 5⅜	5 7/16 - 5 5/16	5¼ - 5⅛	5 3/16 - 5 1/16
French Franc	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6¼ - 6⅛	6⅛ - 6	5 15/16 - 5 13/16
Portuguese Esc.	10¼ - 10	10½ - 10	10¼ - 9¾	9¾ - 9¼	9½ - 9	9½ - 9
Spanish Peseta	8 5/16 - 8¼	8¼ - 8 1/16	8¼ - 8 1/16	8 3/16 - 8	8 3/16 - 8	8 3/16 - 8
Sterling	5⅝ - 5½	5⅜ - 5¼	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5 3/16	5 7/16 - 5 5/16
Swiss Franc	4¼ - 4	4¼ - 4	4⅛ - 4	4 1/16 - 3 15/16	3 15/16 - 3 13/16	3 15/16 - 3 13/16
Can. Dollar	3 13/16 - 3 11/16	4 - 3¾	4 1/16 - 3 15/16	4 5/16 - 4 3/16	4¾ - 4⅝	5¼ - 5⅛
US Dollar	3 5/16 - 3 3/16	3⅜ - 3¼	3 9/16 - 3 7/16	3⅞ - 3¾	4⅛ - 4	4⅝ - 4½
Italian Lira	9 - 7½	8⅜ - 7⅞	8⅜ - 7⅞	8⅜ - 7⅞	8⅛ - 7¾	7½ - 7⅛
Yen	2 7/32 - 2 3/32	2 7/32 - 2 3/32	2 3/16 - 2 1/16	2 3/16 - 2⅛	2 3/16 - 2⅛	2½ - 2 7/16
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.70	95.62	-0.08	95.70	95.61	115,977	495,449
Sep	95.29	95.23	-0.07	95.29	95.21	92,310	367,449
Dec	94.88	94.79	-0.09	94.88	94.78	54,658	283,174

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.08	96.06	-0.05	96.08	96.06	2,496	33,971
Sep	95.74	95.71	-0.06	95.70	95.70	445	6,077
Dec	-	95.37	-0.07	95.37	95.37	26	2,819

All Open Interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday March 16, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,094,223,325	+22,846,800
Bankers deposits	1,457,085,083	-96,748,572
Reserve and other accounts	3,430,031,197	-320,352,733
	5,995,892,605	-394,254,505
Assets		
Government securities	1,003,792,429	+1,535,000
Advance and other accounts	4,368,431,563	-547,665,230
Premise, equipment and other secs	619,767,197	+155,760,791
Notes	3,691,721	-3,877,603
Coin	209,705	-7,463
	5,995,892,605	-394,254,505
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	17,246,308,279	-6,122,397
Notes in Banking Department	3,691,721	-3,877,603
	17,250,000,000	-10,000,000
Assets		
Government debt	11,015,100	
Other Government securities	8,926,094,747	+1,451,942,887
Other Securities	8,312,890,153	-1,461,942,887
	17,250,000,000	-10,000,000

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Fri Mar 18 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	Thu Mar 17 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	174.45	4.5	173.73	116.93	153.83	162.88	-0.4	3.33	174.69	172.95	116.72	152.58	163.07	189.15	130.19	140.24
Austria (17)	189.79	2.8	189.00	127.21	167.35	167.40	0.5	0.93	192.92	190.99	128.89	168.49	169.24	195.41	139.63	145.78
Belgium (42)	169.28	4.1	168.58	113.46	149.26	145.89	0.6	3.84	171.69	169.98	114.71	149.96	146.54	171.69	141.92	147.26
Canada (107)	138.79	2.2	138.21	93.02	122.38	137.55	5.7	2.44	137.60	136.23	91.93	120.18	136.31	145.31	121.46	124.20
Denmark (32)	265.08	7.2	263.98	177.67	233.73	239.69	4.9	0.97	270.07	267.38	180.44	235.88	241.79	275.79	195.66	200.06
Finland (22)	147.89	20.0	147.27	99.12	130.40	171.98	14.9	0.85	150.16	148.67	100.33	131.15	172.87	156.72	73.12	73.53
France (99)	178.01	1.2	177.27	119.31	156.96	161.33	-1.0	2.85	181.44	179.63	121.22	158.47	162.84	186.37	149.60	155.04
Germany (59)	136.41	-2.7	135.85	91.43	120.28	120.28	-5.0	1.72	138.38	137.01	92.46	120.86	120.86	142.38	107.59	112.87
Hong Kong (56)	373.80	-23.6	372.25	250.55	329.61	370.93	-23.6	2.86	388.55	384.66	259.60	339.37	385.43	506.56	242.57	242.59
Ireland (14)	190.60	2.9	189.81	127.75	168.07	187.81	1.4	3.18	192.54	190.62	128.64	168.17	188.07	209.33	145.48	145.48
Italy (69)	75.85	10.6	75.53	50.84	66.89	95.05	8.4	1.77	78.30	77.52	52.32	68.39	97.05	78.93	55.21	57.85
Japan (469)	155.51	19.5	154.87	104.23	137.13	104.23	13.5	0.78	156.21	154.65	104.36	136.44	104.36	165.91	119.90	120.96
Malaysia (69)	471.49	-20.3	469.54	316.03	415.75	494.00	-19.5	1.54	481.86	477.07	321.94	420.87	504.19	621.83	276.49	278.21
Mexico (18)	2075.85	-13.1	2067.24	1391.35	1830.38	7512.45	-7.3	0.67	2064.74	2044.17	1379.48	1803.36	7449.70	2647.08	1431.17	1544.05
Netherland (26)	199.38	0.1	198.56	133.64	175.81	173.54	-1.7	3.16	204.00	201.97	136.29	178.18	175.75	207.43	163.30	164.91
New Zealand (14)	71.69	5.6	71.40	48.05	63.22	66.48	3.1	3.50	71.70	70.98	47.90	62.62	66.29	77.59	45.45	46.74
Norway (23)	201.83	12.3	200.99	135.28	177.96	201.54	9.9	1.63	204.93	202.89	136.92	178.99	202.72	206.42	150.61	153.03
Singapore (45)	308.02	-16.2	306.75	206.46	271.61	224.84	-17.5	1.74	315.29	312.16	210.65	275.39	229.82	378.92	217.80	220.10
South Africa (60)	267.78	0.2	266.67	179.48	236.12	267.48	6.8	2.30	266.00	263.35	177.71	232.32	264.82	280.26	161.99	165.74
Spain (42)	145.86	4.7	145.26	97.76	128.61	153.93	2.0	3.75	148.58	147.10	99.27	129.77	155.39	155.79	116.33	125.69
Sweden (36)	217.62	10.8	216.72	145.86	191.89	263.77	4.7	1.49	221.48	219.28	147.98	193.45	256.26	230.02	154.79	160.79
Switzerland (49)	160.74	0.4	160.08	107.74	141.74	143.60	-2.6	1.57	164.29	162.66	109.77	143.49	145.54	176.56	112.94	113.98
United Kingdom (215)	196.87	-4.0	196.06	131.96	173.60	196.06	-4.6	3.73	200.12	198.13	133.70	174.79	198.13	214.98	170.01	171.68
USA (518)	191.76	1.0	190.96	128.53	169.08	191.76	1.0	2.76	191.60	189.69	128.01	167.34	191.60	198.04	176.91	184.38
EUROPE (745)	168.97	0.3	168.27	113.25	148.99	161.52	-2.1	2.83	172.08	170.37	114.97	150.30	163.18	178.58	139.56	140.37
Nordic (113)	210.84	11.3	209.97	141.32	185.91	214.96	6.5	1.29	214.53	212.39	143.33	187.37	216.82	220.60	145.85	149.93
Pacific Basin (722)	163.84	12.9	163.16	109.81	144.47	114.22	8.0	1.06	164.99	163.35	110.23	144.11	114.70	168.80	124.58	125.51
Euro-Pacific (1467)	165.82	7.0	165.13	111.14	146.21	132.81	3.4	1.81	167.79	166.12	112.10	146.55	133.71	170.78	130.91	131.47
North America (625)	188.46	1.1	187.68	126.32	166.18	187.99	1.2	2.74	188.24	186.37	125.77	164.41	187.76	192.73	173.70	180.64
Europe Ex. UK (530)	150.40	1.9	149.78	100.81	132.62	140.65	-0.6	2.29	153.35	151.82	102.46	133.94	142.07	155.73	120.47	121.07
Pacific Ex. Japan (253)	245.72	-14.3	244.71	164.70	216.67	225.59	-15.5	2.71	251.11	248.61	167.77	219.32	230.37	296.21	169.48	170.21
World Ex. US (1652)	167.31	6.4	166.61	112.14	147.52	136.16	3.3	1.82	169.11	167.42	112.98	147.70	136.96	172.51	132.02	132.44
World Ex. UK (1955)	172.24	5.1	171.53	115.45	151.88	149.35	3.3	2.00	173.19	171.46	115.71	151.27	149.75	175.58	145.88	146.76
World Ex. So. Af. (2110)	173.86	4.4	173.14	116.53	153.30	152.63	2.4	2.16	175.02	173.28	116.93	152.86	153.18	178.56	148.09	148.95
World Ex. Japan (1701)	186.42	-0.7	185.65	124.95	164.38	182.23	-1.4	2.74	187.80	185.93	125.47	164.03	183.02	195.20	164.42	165.25
The World Index (2170)	174.42	4.4	173.70	116.91	153.79	153.53	2.5	2.16	175.58	173.81	117.29	153.34	154.05	178.97	148.14	148.95

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
Constituent change with effect 21/3/94: Addition: Western Atlas Inc. (USA).

STOCK INDICES

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	1993/94 High	1993/94 Low	Since comp. High	Since comp. Low
FT-SE 100	3218.1	3255.7	3242.9	3267.4	3233.4	3520.3	2737.6	3520.3	986.9
FT-SE Mid 250	3885.6	3898.6	3890.4	3902.5	3885.7	4152.8	2876.3	4152.8	1379.4
FT-SE Mid 250 ex ITs	3885.8	3902.2	3906.0	3918.2	3900.9	4160.7	2874.6	4160.7	1378.3
FT-SE-A 350	1632.7	1649.7	1644.8	1655.5	1640.6	1778.3	1349.7	1778.3	664.5
FT-SE SmallCap	2001.51	2008.99	2009.70	2011.95	2011.70	2094.98	1377.58	2094.98	1363.79
FT-SE SmallCap ex ITs	1983.59	1988.78	1989.47	1992.18	1992.48	2060.72	1380.05	2060.72	1363.79
FT-SE-A All-Share	1624.86	1640.76	1636.52	1646.57	1632.78	1764.11	1330.19	1764.11	61.92
FT-SE Eurotrack 100	1445.51	1461.86	1466.28	1469.35	1456.59	1540.19	1063.02	1548.19	900.45
FT-SE Eurotrack 200	1485.49	1503.36	1504.22	1513.24	1495.08	1607.10	1144.79	1607.10	938.62
FT Ordinary	2542.7	2586.3	2552.8	2569.3	2548.2	2713.6	2124.7	2713.6	49.4
FT Govt Securities	98.72	99.55	99.94	100.50	100.09	107.60	93.28	127.40	49.18
FT Fixed Interest	120.14	120.96	121.37	121.20	121.66	133.87	106.67	133.87	50.53
FT Gold Mines	2059.10	2004.85	2026.62	2040.66	2041.70	2367.40	922.16	2367.40	922.16
Predecessor Gold Mines	223.8	214.9	218.5	218.9	213.3	277.9	60.0	734.7	43.5

FT GOLD MINES INDEX

	Mar 18	% chg since 31/12/93	Mar 17	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2059.10	-7.8	2004.85	46.80	100.00	1.82	2367.40	1214.11
■ Regional Indices								
Africa (15)	2896.30	-12.4	2785.33	12.86	27.48	4.73	3440.89	1415.33
Australasia (8)	2544.29	-4.6	2540.34	6.56	14.01	1.45	3013.89	1244.83
North America (11)	1746.85	-6.2	1700.27	27.38	58.50	0.54	2039.65	1153.36

Figures in brackets show number of companies. Base US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Mar 14: 213.3; week's change: +1.0 points; Year ago: 96.0. † Partial.

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25	● Members of British Merchant Banking & Securities Houses Association	
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6	* In administration	
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	30.6	246	243	Abtrust N Dawn C	243	-3	-	-	-	-
135	F.P.	42.1	142	135	Applied Distbrs	139	-1	WN3.6	2.4	3.2	16.4
-	F.P.	0.99	6½	1	§Care UK Wrts	4½	-1	-	-	-	-
105	F.P.	32.5	118	101	Cedardata	106		RN1.91	2.9	2.3	17.4
-	F.P.	9.68	£87½	£87½	Chester Water	£87½		†235.0	4.3	3.4	9.0
-	F.P.	36.9	125	125	County Smlr C	125		-	-	-	-
50	F.P.	128.6	50	46	Edin New Tiger	46	-2	-	-	-	-
-	P.P.	12.2	50	49	F & C Private Eq	49		-	-	-	-
100	F.P.	139.5	99	93	Fidelity Jpn Values	93	-2	-	-	-	-
-	F.P.	16.5	55	48	Do Warrants	55		-	-	-	-
130	F.P.	32.5	155	130	Finelist	149	+4	R3.3	2.3	2.8	19.3
-	F.P.	2.54	105	98	Fleming Japan C	101½	-1¾	-	-	-	-
-	F.P.	2,591.0	£31½	£30⅝	Franklin Res	£31½		Q28c	-	0.6	-
-	F.P.	51.0	102	100	Gartmore Brit Inc	102		-	-	-	-
-	F.P.	56.2	113	112	Do Zero Pf	112½		-	-	-	-
-	F.P.	106.5	213	208	Do Units	213		-	-	-	-
170	F.P.	74.1	171	159	Goldsborough Hlth	169		WN3.3	2.6	2.4	18.5
183	F.P.	247.6	218	195	Graham Group	218	-1	LN4.6	2.3	2.7	20.6
-	F.P.	66.6	74	66¾	Guangdong Dvlpt	73¼	+½	-	-	-	-
-	F.P.	5.56	30½	18½	Do Warrants	30½	+¼	-	-	-	-
$1	F.P.	114.9	62	57	Israel Fund	67½		-	-	-	-
-	F.P.	11.0	28½	27¼	Do Warrants	27½	-¼	-	-	-	-
-	F.P.	529.0	495	459	Mercury Euro Prvtn	460	+1	-	-	-	-
140	F.P.	234.4	172	163	Midland Indp Nws	170	-2	WN2.8	2.3	2.1	23.3
50	F.P.	20.4	53	49	Mithras Inv Tst	51		-	-	-	-
-	F.P.	2.08	28	25	Do Warrants	26		-	-	-	-
-	F.P.	66.1	228	223	Partco	224		L5.35	2.2	3.0	19.3
-	F.P.	6.24	200	198	Ptarmigan Int'l C	199		-	-	-	-
125	F.P.	18.1	133	113	Rodstone Tech	116		R3.0	2.4	3.2	14.8
100	F.P.	57.0	98	94	Saracen Value	95		-	-	-	-
-	F.P.	4.56	43	38	Do Warrants	38		-	-	-	-
-	F.P.	116.2	506	491	Schroder UK Gwth	496	-5	-	-	-	-
118	F.P.	54.8	140	128	Tring Intl	129		RN3.8	2.1	3.7	15.3
153	F.P.	53.5	160	153	United Carriers	158		-	-	-	-
50	F.P.	11.3	72	68	Waste Recycling	70	-1	11.4	0.4	20.4	28.6

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
92	Nil	11/4	15pm	7pm	Burford	9½pm	
173	Nil	5/4	27pm	14pm	§Cap. & Regional	14pm	-2
4¼	Nil	14/4	6pm	3pm	Care UK	3½pm	
42	Nil	14/4	18pm	4pm	Conrad Ritblat	4pm	
15	Nil	25/3	4pm	2½pm	Creston Land	2½pm	
12	Nil	13/4	13pm	10pm	Firth (GM)	11pm	
62	Nil	28/4	10½pm	9pm	Haden Maclellan	9pm	
315	Nil	30/3	64pm	49pm	Wetherspoon JD	49pm	-1

pm Price at a premium.

MONEY MARKET FUNDS

Money Market Trust Funds

Coutts & Co
Dao Heng Bank (London) PLC Premier Acc
CAF Money Management Co Ltd
Dartington Tst Plc-Dawnham 500 Acc
The COIF Charities Deposit Account
Fidelity Money Market Account
Cent. Bd. of Fin. of Church of England
Halifax Bldg Soc Asset Reserve Cheque Acc

Money Market Bank Accounts

Aitken Hume Bank plc
Julian Hodge Bank Ltd
Allied Trust Bank Ltd
Leopold Joseph & Sons Limited
Kleinwort Benson Private Bank
American Express Bank Ltd
Lloyds Bank – Investment Account
Bank of Ireland High Interest Cheque Acc
Midland Bank plc
Bank of Scotland
Nationwide Bldg Soc – Businessinvestor
Barclays Select
Portman Bldg Soc Prestige Cheque Account
Barclays Prime Account H.I.C.A.
Rea Brothers Limited, Bankers
Brown Shipley & Co Ltd
Royal Bank of Scotland plc Premium Acc
Caledonian Bank Plc
Save & Prosper/Robert Fleming
Cater Allen Ltd
Tyndall Bank plc
Charterhouse Bank Limited
UIC Trust Limited
Clydesdale Bank Flexible Solutions Acc
United Dominions Trust Ltd
The Co-operative Bank
J. Henry Schroder Wagg & Co Ltd
Western Trust High Interest Cheque Acc

LONDON SHARE SERVICE

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£23½	0.2	Q81%	ϕ	Sep May	1.9	1567
ANZ A$		249½	1.0	Q20c	0.7	Jan Jul	9.12	–
Abbey National	qN□	485xd	0.8	14.0	2.1	May Oct	14.3	5411
Allied Irish I£	‡□	282xd	0.8	Q52%	ϕ	Oct May	28.2	1364
Anglo Irish I£	‡N□	60	–	Q17.5%	1.7	Jan Jul	29.11	1366
Asahi Y		709½	–.8	Q16%	1.3	Jun Dec	12'92	3049
Banco Bil Viz Pta		£14½	–2.4	Q27.2%	2.7	JyOcJaAp	13.7	–
Banco Sant Pta		£31⅝	–6.7	Q95.1%	2.0	ApJyOcJa	30.10	–
Bank Leumi (UK)		430xd	–	20.0	ϕ	Apr Sep	28.2	1740
Bk Ireland I£	‡ux□	281	0.4	Q13¼%	1.5	Jul Dec	15.11	1380
Bank Scotland	‡†□	196	3.7	4.87	1.6	Dec Jul	18.10	1742
9¾pc Pf		130¾	0.2	9¾%	–	May Nov	18.10	1462
9¾pc Pf		137½	0.2	9¾%	–	May Nov	18.10	–
Barclays	qN□	562xd	6.2	15.15	1.3	Oct May	14.3	1754
Dai Ichi Kan Y		£12½	3.5	Q16%	3.2	Jun Dec	27.9	3221
Deutsche DM		£317½	0.5	Q30%	–	May	24.5	2349
Espirito Santo		£22½	–2.7	Q120c	5.2	Jan	4.8	3187
First Nat Fin	N□	93	1.2	1.5	–	Mar	17.1	2571
6.3pc Cv Pf		86	–	6.3%	–	Jul Jan	4.1	2370
7pc Cv Pf		161	–	7.0	–	Jul Jan	4.1	–
Fuji Bank Y		1444¼	1.6	Q17%	2.3	Dec Jun	4.7	–
HSBC HK	□	804xd	–4.1	23.5	ϕ	Nov Jun	14.3	2795
HSBC (75p Shs)	□	787xd	–3.6	23.5	ϕ	Nov Jun	14.3	2776
Lloyds	N□	582xd	3.2	22.1	2.1	Oct May	14.2	3171
Mitsubishi Y		£16⅝	1.3	Q17%	2.3	Jun Dec	12'92	5290
Mits Tst & Bk Y		997¾	1.7	Q16%	12.4	Jun Dec	12'92	4775
Mitsui Tst & Bk Y		798¼	6.9	Q17%	5.5	Jun Dec	12'92	5369
Nat Aust A$		684½	1.0	Q50c	1.7	Jul Jan	9.6	–
NatWest	qN□	485xd	3.9	18.5	1.8	Oct May	28.2	3463
Ottomane FFr		£31	0.8	Q158%	2.3	May	12.5	–
Ryl Bk Scotland	‡N□	437	2.1	11.0	1.9	Feb Jul	13.12	3874
Sakura Y		£9¼	6.2	Q17%	3.0	Dec Jun	12'92	3931
Sanwa Y	‡	£14½	3.9	Q17%	2.7	Jun Dec	12'92	5166
Standard Chartd	qN□	1160xd	5.8	24.0	3.5	Jun Oct	14.3	4094
7 3/8pc Pf		95¼xd	–.8	7.37	–	Apr	14.2	1719
SumiTomo Y		£13½	2.2	Q17%	8.7	Jun Dec	12'92	3079
Sumitomo Tst Y		994½	6.1	Q17%	2.3	Jun Dec	12'92	4918
TSB	N□	239xd	1.7	7.66	1.8	Apr Oct	14.2	4320
Tokai Y		£7½	1.6	Q16%	2.8	Jun Dec	12'92	5369
Toyo Tst & Bk Y		760	3.8	Q15½%	2.3	Jun Dec	30.6	–
Westpac A$		243	1.7	Q12c	ϕ	Jan Jul	21.12	–
Yasuda Tst Bk Y	‡	970¼	–2.9	Q15½%	2.3	Jun Dec	12'92	5347

BREWERIES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Ascot Hldgs	□	8	3.2	–	–	–	–	2515
Bass	N□	524	1.6	19.8	1.9	Feb Jul	13.12	1772
Boddington	qN□	278xd	–.3	8.03	2.2	Apr Oct	14.3	1882
Burtonwood		189	–1.2	4.75	2.6	Feb Aug	15.11	2022
Eldridge,Pope A	‡N	160	–	3.55	1.8	Feb Jul	4.1	2435
Fosters A$		59¼	5.4	Q5c	0.3	May Oct	22.9	2434
Fuller STA	‡†	451	–1.5	7.52	3.2	Aug Jan	4.1	2643
Globe New	‡†	420xd	1.2	8.25	2.5	Oct Apr	14.2	2583
Greenalls	‡N□	440	1.7	12.36	2.1	Jul Feb	4.1	2765
Greene King	†N□	605	–.6	12.45	2.8	Aug Feb	4.1	2769

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TRANSPORT

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Stagecoach	LN□	194	—	3.8	1.8	Jan Oct	13.12	2885
TNT A$		104¼	4.0	–	–	–	3'91	–
Tibbett & Britten	♣†□	836	–.6	12.8	2.0	May Oct	4.10	4229
Tiphook	N□	48	4.3	19.3	–	Jan Oct	2.8	4238
Transport Dev.	♣N□	277xd	1.7	9.5	ф	Nov May	14.3	4282
Ugland Intl	□	127	...	–	–	–	18.11	–
Vard NKr		24¼	4.4	–	–	–	–	–
Wah Kwong HK$		148½	0.9	Q8½c	4.2	Aug Jan	–	–

WATER

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglian	♣†N□	497½xd	–1.9	21.6	2.6	Oct Apr	29.11	5402
Bristol Water	†N	1105	–.9	31.8	2.3	Feb Oct	4.1	–
Chester A	†	463	–2.7	11.7	2.5	Jan Aug	4.1	–
B N/V		448	–2.8	11.0	2.5	Jan Aug	4.1	–
East Surrey	†	403	–.5	11.79	3.0	Jan Jul	13.12	–
Mid Kent	†N	364	...	10.75	2.0	Jan Jul	13.12	–
North West	†N□	532xd	2.5	21.94	2.4	Aug Apr	13.12	5422
Northumbrian	♣†N□	642xd	–.2	22.5	3.2	Oct Apr	15.11	5412
Severn Trent	♣†N□	504xd	1.4	21.85	4.1	Oct Apr	13.12	5432
South Staffs	♣†	1550	–.1	48.5	3.0	Jan Jul	29.11	–
South West	†N□	565xd	—	24.3	2.3	Sep Apr	29.11	5452
Southern	†N□	565xd	0.7	21.9	3.1	Oct Apr	4.1	5442
Thames	♣†N□	630	1.9	21.5	2.7	Sep Feb	15.11	5462
Welsh	†N□	658xd	1.4	24.15	3.8	Oct Apr	13.12	5472
Wessex	†N□	681xd	3.8	22.2	2.5	Oct Apr	4.1	5482
York W'works	♣†	345	...	9.5	2.3	Jul Jan	13.12	–
Yorkshire	♣†N□	524xd	–.4	21.8	2.4	Oct Apr	13.12	5492

AMERICANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		19⅛	2.7	76c	FeMyAuNv	11.10	–
Amdahl		453½p	16.0	5c	NvFeJeAu	1'93	–
Amer Cyanamid		29⅝	3.0	$1.76	MrJeSeDe	3'93	–
Amer Express		20¼	7.3	$1.00	FeMyAuNv	4.1	–
Amer T & T		35⅞	5.7	$1.32	FeMyAuNv	28.12	–
Ameritech		27⅛	1.5	$1.92	FeMyAuNv	28.3	–
Anheuser-Busch		33⅞	2.8	Q$1.44	MrJeSeDe	4.11	–
BankAmerica		28⅝	3.2	$1.60	MrJeSeDe	18.11	1744
Bankers NY		51⅛	3.2	$3.12	ApJyOcJa	1.10	–
Bell Atlantic		36⅞	0.7	$2.68	FeMyAuNv	4.7	–
BellSouth		38⅞	2.6	$2.76	FeMyAuNv	5.4	–
Bethlehem Steel	♥	14⅝	0.4	–	MrJeSeDe	2'93	–
Bowater		15⅞xd	–4.3	60c	OcJaApJy	7.3	1884
CPC		32⅛	...	$1.28	JaApJyOc	27.9	–
California Engy		12⅛	0.9	–	–	–	–
Chase Manhattan		22⅞	6.9	$1.20	FeMyAuNv	28.10	–
Chrysler		38⅛	–1.3	60c	ApJyOcJa	10.12	–
Citicorp		27½	8.4	–	–	23.10	–
Colgate-Palm		42½	–1.2	$1.44	FeMyAuNv	30.10	2184
Cont'l Bank		22¼	4.0	80c	DeMrJeSe	31.5	–
Dana		38⅞	0.8	$1.60	MrJeSeDe	25.11	–
Data General		512¼p	2.8	–	–	–	–
Decora Inds.	♥	75p	–6.1	–	–	–	–
Dun & Brad		40⅛	2.4	$2.44	MrJeSeDe	2'93	–
Eaton		39⅞	2.2	$1.20	FeMyAuNv	2'93	2410
Echlin		21⅞	13.3	70c	JaApJyOc	30.12	–
FPL		15½	0.9	$2.48	MrJeSeDe	24.8	–
Ford Motor		41⅞	–3.0	$1.60	MrJeSeDe	25.1	2615
Gen Elect		69⅛	–.6	$2.88	JaApJyOc	29.12	2675
General Host	♥	428¼p	–1.0	34c	–	13.12	–
Gillette		44⅞	5.5	84c	MrJeSeDe	28.7	2695
Hasbro		20⅞	...	24c	FeApJyNv	1.8	–
Honeywell		23⅛	2.8	96c	MrJeSeDe	22.11	–
Houston Inds		25⅞	–3.5	$3.00	MrJeSeDe	10.11	–
Ingersoll-Rand		28⅛	3.2	70c	MrJeSeDe	15.11	–
Lockheed		44⅞	1.5	$2.12	MrJeSeDe	2'93	–
Lowe's		44½xd	2.1	32c	JaApJyOc	11.1	–
Maxwy Technology		252p	–3.9	–	–	–	–
Merrill Lynch		29⅛	7.4	80c	FeMyAuNv	19.10	–
Morgan (JP)		43⅝	1.7	$2.72	JaApJyOc	15.12	–
Morris (Philip)	♣	36⅞	1.0	$2.76	JaApJyOc	10.12	–
NYNEX	h	24⅞	1.3	$2.36	FeMyAuNv	29.12	4740
Pall		11½	–3.3	37c	FeMyAuNv	1'93	–
Pennzoil		38⅛	2.1	$3.00	MrJeSeDe	24.11	–
Quaker Oats		42⅝	1.0	$2.12	JyOcJaAp	14.12	–
Questar		126p	—	–	–	–	2416
Rep NY		34⅝	2.8	$1.32	JaApJySe	10.12	3814
Rockwell		28⅞	3.6	$1.00	MrJeSeDe	9.11	–
Sears, Roebuck		31⅛	–2.1	$1.60	JaApJyOc	24.11	–
Sthwestern Bell	h	27⅞	3.1	$1.51	MyAuNvFe	6.1	–
Sun Co		23⅞	1.6	$1.80	MrJeSeDe	5.11	–
Tenneco		38⅞	2.6	$1.60	MrJeSeDe	23.11	–
Texaco		44¼	1.4	$3.20	MrJeSeDe	3.11	–
Time Warner		28¼	15.3	32c	MrJeSeDe	26.11	–
US West		28⅞	2.2	$2.14	FeMyAuNv	14.4	–
Unitab	♥	380p	–1.3	–	–	–	–
Varity		31⅞	0.7	–	–	11'77	–
WMX Technologies		17	2.3	60c	ApJyOcJa	17.12	4439
Whirlpool		46⅞	1.7	$1.22	MrJeSeDe	3'93	–
Woolworth	♥	13⅝	–.9	$1.16	MrJeSeDe	1'93	–

CANADIANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
Amer Barrick		16½	–.8	8c	Jun Dec	–	–
Bk Montreal		14⅞	4.4	$1.20	JaMyAuNv	3.2	1029
Bk Nova Scot		16⅞	2.8	$1.16	JaApJeOc	21.1	1017
BC Gas	♥	779p	–.4	60c	FeMyAuNv	30.12	–
BCE		25⅞	3.3	$2.68	ApJyOcJa	12.6	–
Brascan	♥	920¼p	3.1	$1.04	JaApJyOc	28.10	–
Can Imp Bk		17⅛	3.3	$1.32	JaApAuNv	30.12	1037
Can Pacific		11⅞	5.9	32c	JaApJyOc	28.12	–
4pc Deb		47	–1.6	Q4%	Jan Jul	22.5	–
Derlan	♥	283¼p	–1.9	28c	MrJeSeDe	3.6	–
Echo Bay	♥	848½p	1.8	7½c	Jun Dec	–	1070
Gulf Can	♥	21½p	–3.0	–	–	3'93	–
Hawker Sid	♥	13	0.4	$1.08	ApJyOcJa	15.11	–
Hudson's Bay	♥	14⅞	–2.5	92c	ApJeSeDe	2.10	–
Imperial Oil	♥	22⅞	0.6	$1.82	MrJeSeDe	3'93	–
Inco		17⅛	7.3	40c	DeMrJeOc	3'93	–
Nova Corp Alberta		486p	2.5	24c	FeMyAuNv	25.1	–
Rio Algom	♥	12⅞	9.4	60c	Jun Dec	18.4	–
Royal Bk Can		14⅞	3.4	$1.16	MrMySeDe	28.1	1180
TVX Gold	♥	435½p	4.6	–	–	–	–
Toronto-Dom		11⅞xd	2.0	80c	JaApAuNv	14.3	1207
Trans Can Pipe	♥	9⅝	1.0	84c	JaApJyOc	1.12	–

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£22½	–1.1	Q375c	ф	Oct Apr	22.3	–
Barlow		£4⅞	13.0	Q173c	1.7	Jan Jul	13.12	–
Gold Fields SA R		£14⅞	1.3	Q200c	1.5	Mar Sep	31.1	2717
NK Props	s	90	—	Q44.7c	0.3	Feb Oct	19.10	–
SASOL	♥	357	2.6	Q78c	–	Oct	23.9	3919
SA Brews		£13⅞	1.9	Q138c	2.2	Dec Jun	13.12	4113
Tiger Oats		788	–3.1	Q82c	2.9	Jan Feb	28.11	–
Tongaat-Hulett	†	570	–2.2	Q75c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.
z Dividend includes a special payment: Cover does not apply to special payment.
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/or rights issue.
H Dividend based on prospectus or other official estimates for 1993.
K Dividend based on prospectus or other official estimates for 1994
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution

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4 pm close March 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 3/8	11 1/2	AAR	0.48	2.9	558	100	16 7/8	16 1/2	16 3/4	
29 3/8	12 3/4	A L Labs A	0.18	1.1	37	366	16 3/4	16 1/8	16 3/4	+1/8
67 1/4	54 5/8	AMP	1.68	2.8	22	3453	64	63 5/8	64	+1/4
72 3/4	55 1/2	AMR			30	5285	62 3/4	61 5/8	61 7/8	-1 1/8
5	1 3/4	ARX			16	258	4 7/8	4 3/4	4 3/4	-1/8
56 1/8	29 7/8	ASA	2.00	4.4	30	1340	46 1/4	45 1/8	45 3/8	-5/8
30 3/4	22 5/8	AbbtL	0.76	2.7	16	31052	28 5/8	27 1/2	28 1/4	-1/8
13 3/4	8 1/4	Abitibi Pr	0.50	3.7	8	344	u13 3/4	13 3/8	13 1/2	-1/8
15 5/8	8 1/4	Acptncein			21	26	11 7/8	11 1/2	11 1/2	-3/8
36	25 1/2	ACE Ltd	0.40	1.5	4	529	27	26 1/2	27	+1/4
12 5/8	10 1/4	ACM Gvt In	1.09	9.3		544	11 7/8	11 3/4	11 3/4	
10 1/8	8 3/4	ACM GvOpp	0.80	8.8		57	9 1/8	9	9	
10 5/8	8 3/4	ACM Gvt Sp	0.96	10.2		398	9 1/2	9 3/8	9 3/8	-1/8
12 1/4	10 1/2	ACM Gvt Se	1.09	10.2		286	10 7/8	10 3/4	10 3/4	-1/8
12 1/4	9 5/8	ACM Man	1.08	10.8		76	10	9 7/8	10	
9 3/8	8 5/8	ACM Managd	0.72	8.3		236	8 3/4	d8 5/8	8 5/8	
12 3/8	7 3/4	AcmeCly	0.44	4.6	11	92	9 5/8	9 1/4	9 5/8	+3/8
11 3/4	6 1/2	Acme Elect			34	46	8	7 3/4	8	+1/8
28 1/4	18 3/8	Acordia x	0.60	2.1	14	379	u28 1/4	28	28	-1/8
9 1/4	6 1/8	Actava x	0.36	5.3	2	315	6 3/4	6 1/2	6 3/4	+1/4
16	10 3/8	Acuson			100	480	13 1/4	12 7/8	13 1/8	
21 3/4	17 3/8	Adams Expr	0.38	2.0	0	66	17 3/4	17 5/8	17 5/8	-1/8
66 1/4	45 1/2	Ad Micro	3.00	4.9		307	61 1/4	60 5/8	60 3/4	+1/2
32 3/4	16 3/4	AdvMc	3.00	10.1	122	1972	30 1/4	29 1/2	29 3/4	+1/8
8 1/8	5 1/2	Advest Grp	0.16	2.5	10	211	6 1/2	6 3/8	6 1/2	
24 1/2	14 1/4	Advo Inc	0.10	0.5	125	36	18 7/8	18 3/4	18 7/8	+1/8
58 1/2	41 1/8	Aegon ADR	1.23	2.4	11	97	51 1/4	51	51 1/4	+1/8
[illegible]										

- A -

[illegible]

- B -

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- D -

[illegible]

- E -

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- P - Q -

[illegible]

- R -

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- S -

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Continued on next page

4 pm close March 18

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close March 18

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Deb Shops	0.20	20	179	6⅞	6⅝	6⅞	
Dekalb En	0.32	21	58	13⅞	13⅝	13⅞	
Dekalb Ge	0.80	53	172	u36	34½	36	+1½
Delchamps	0.44	11	294	22¼	22	22¼	+¼
Dell Comp		25	9521	27⅛	26⅜	27⅛	+¼
DeltaGSim	0.16	20	336	16¾	15¾	16½	+½
Dentply		37	924	44¼	43¼	43¼	-½
Dep Gty x	1.00	7	246	28	27¾	27¾	-¾
Devcon	0.20	4	79	7½	7	7½	
DH Tech		14	89	17¾	17¼	17¼	-½
Dibrell B	0.72	10	440	22¼	20¾	21¼	-⅛
Digi Intl		19	224	19½	19	19½	+¼
Dig Micro		8	1012	17	16	16⅛	-¾
Dig Sound		6	260	1$\frac{13}{16}$	1⅞	1⅞	-$\frac{1}{16}$
Dig Syst		3	283	2¾	2½	2⅝	
Dionex Cp		17	1098	36	34½	35½	-½
Dixie Yrn	0.20	24	640	10	9¼	10	+½
DNA Plant		5	1814	5⅜	5¼	5¼	
Dollar Gn	0.30	30	1519	30¾	30	30¼	
Dorch Htn	0.68	17	28	16½	16	16	-⅛
DrecoEngy		8	2285	9	8½	9	
DressBarn		14	446	13⅛	12⅞	13⅛	+⅛
Drey GD	0.24	20	536	23¼	22¾	23¼	+¼
Drug Empo	0.08	60	821	6⅛	5⅞	6	+⅛

AMEX COMPOSITE PRICES

4 pm close March 18

FT GUIDE TO THE WEEK

21 MONDAY

N Korea atom row deepens

The US has cancelled high level talks with North Korea, which were scheduled to take place in Geneva today. The move follows the refusal of the North Koreans to allow International Atomic Energy Authority officials to complete their inspection of nuclear installations.

The Authority's board of governors is holding a special meeting in Vienna at which it is expected to decide to refer the North Korean nuclear issue to the UN Security Council, which could impose economic sanctions.

Russian partner: Russia, the US and several European countries will for the first time hold large-scale joint naval manoeuvres off Norway. Russia last week announced it was going to join Nato's Partnerships for Peace programme. This aims to draw former Warsaw Pact adversaries closer to the alliance without extending them the full security guarantees that go with full membership.

Global warming: The Rio treaty becomes international law, following ratification by more than 50 countries. Signatories undertake to draw up plans for curbing emissions of so-called greenhouse gases.

Scott inquiry: Alan Moses QC, prosecution counsel in Matrix Churchill trial, begins two days of evidence to Lord Justice Scott's inquiry into arms exports to Iraq.

UK trade figures: The visible trade deficit with non-European Union countries is expected to widen to £800m in February from £785m in January. Whole-world trade figures for December showed a large increase in imports into the UK and a poor export performance, particularly to the EU.

Oscar comes to Hollywood

The 66th annual Academy Awards ceremony takes place today. Steven Spielberg's *Schindler's List* looks the surest bet in years for best film and best director. Also worth a flutter: Tom Hanks for best actor (*Philadelphia*) and Holly Hunter for best actress (*The Piano*). Britain this year may be on the outside looking in. Recent victors Hopkins, Day-Lewis and Thompson are re-nominated but not tipped to win. But Wales's *Hedd Wynn* may triumph as best foreign film.

Fading tiger: Experts gather in Geneva to try to co-ordinate programmes to stave off the threat of extinction to the tiger. It is estimated that only 5,000 survive in the wild.

Holidays: Japan, spring equinox national holiday (markets closed). Iran celebrates New Year and puts its clocks forward one hour.

22 TUESDAY

Europe strives to expand

European Union foreign ministers hold another crisis meeting to try to settle the enlargement row. Norway resolved its dispute over fish last week and is now set to join the Union together with Austria and Scandinavian neighbours Finland and Sweden.

However, the applications of all four have been thrown into doubt by Anglo-Spanish objections to proposed changes to the council of ministers voting procedures to take account of the new members. Several compromises are on offer.

Croatia accord: Leaders of Croatia and the self-styled Serb state of Krajina, which takes up one-third of Croatian territory, are due to meet in the Russian embassy in the Croatian capital Zagreb. The two sides have never formally ended their war, which began in 1991 and spilled over into Bosnia.

Russia's envoy Vitaly Churkin, who set up the meeting, hopes to arrange a formal end to hostilities between Zagreb and the Serb separatists, who have close ties with Belgrade. The hope is that widening the scope of the peace will stabilise the region.

US economy: Federal Reserve governors and regional presidents meet in Washington to review monetary policy. Many analysts expect the Fed to raise short-term rates either immediately or in the next few weeks. The likeliest move is a quarter point rise in the federal funds rate to 3.5 per cent, possibly accompanied by a half point rise in the discount rate, also to 3.5 per cent.

More flattering US trade figures are in prospect. Starting with the release of January data today, the merchandise trade report will be expanded to include monthly data on trade in services. Last year the US ran a services surplus of $55.7bn, partially offsetting a merchandise deficit of $132.5bn.

Japan's spring wage negotiations, starting today, are expected to bring smaller rises in most sectors than last year, holding down consumer demand.

Hungary's parliament votes on legislation regulating the gas industry. It will prepare for privatisation of the five regional distribution companies.

The country's balance of payments figures are also due out. Both foreign investment flows and the current account deficit are set to break records.

Apprenticeships plan:

David Hunt, UK employment secretary, is to launch a scheme to raise the number of young people trained to skilled crafts level. Training and Enterprise Councils will run 2,000 prototype apprenticeships.

23 WEDNESDAY

Sarajevo roads to open

An agreement between Serb and Moslem leaders to allow the limited opening of roads, linking Serb and government-held areas of Sarajevo is due to come into force.

The agreement, brokered by the United Nations, is hedged with conditions on the movement of civilian traffic because the two sides have not yet reached a political settlement.

The deal bans commercial traffic from a city whose 380,000 inhabitants are dependent on humanitarian aid, but if honoured, it will be an important step towards lifting the 23-month Serbian siege of the Bosnian capital.

South Korea and the US are to discuss reviving their joint military exercise, Team Spirit, following the inability of International Atomic Energy Authority officials to complete their inspection of North Korea's nuclear facilities.

Look east Euroman:

Jacques Delors, European Commission president, chairs a brainstorming session at the European Commission aimed at producing ideas for accelerating the political and economic integration of eastern Europe into the European Union.

The European Parliament begins a two-day mini-session in Brussels.

Fraud busters: The UK will unveil an initiative to tackle fraud in the European Union at a meeting of justice ministers in Brussels. The plan is for all 12 member states to adopt similar legal measures.

UK inflation: The retail price index for February will be watched closely for clues as to whether Kenneth Clarke, the chancellor, has room for a further base-rate cut.

The headline inflation rate is expected to fall to 2.2 per cent, from 2.5 per cent in January. Underlying inflation (excluding mortgage interest payments) is expected to fall from 2.8 to 2.6 per cent.

Computer at work: Details of a computerised database to co-ordinate the digging-up of Britain's road are due to be unveiled at a conference in Birmingham. About 8,000 holes are dug every day to repair or lay cables and pipes.

The proposed national register of information on planned street-works hopes to avoid companies digging up the same stretch of road, one after the other.

Football: Dublin: Republic of Ireland play Russia. Belfast: Northern Ireland play Romania. Glasgow: Scotland play The Netherlands. Stuttgart: Germany play Italy.

Holidays: Pakistan National Day.

24 THURSDAY

Franco-German relations

Germany's foreign minister Klaus Kinkel (left) meets France's President François Mitterrand, Prime Minister Edouard Balladur and Alain Juppé, French foreign minister, in Paris. The two sides will doubtless be anxious to smooth over last week's strains in Franco-German relations, following an off-the-record briefing by France's ambassador in Bonn.

South Korean President Kim Young-sam starts a three-day visit to Japan. He is due to meet Prime Minister Morihiro Hosokawa, the Emperor and Empress, and business leaders.

On Sunday, he travels on to China. He will ask Chinese leaders to exert pressure on North Korea to accept nuclear inspections or, if persuasion fails, back sanctions against it.

Safety at sea: European Union transport ministers meet in Brussels to attempt to finalise plans to combat maritime accidents caused by substandard ships.

Emissions standard: European Union environment ministers, meeting in Brussels, are expected to approve a directive cutting car exhaust emissions by half. It will apply to new vehicle types from 1996 and to all new vehicles from 1997 and will bring the EU in line with US federal standards.

Scott inquiry:

Sir Nicholas Lyell, UK attorney general, gives evidence to Lord Justice Scott's arms-for-Iraq inquiry. He will be questioned about the reasons why he agreed to the prosecution of businessmen from the company Matrix Churchill for illegally exporting arms to Iraq, although it is alleged he knew the company had been providing the government with intelligence.

US savings and loans: The House of Representatives' Banking Committee holds a hearing on the semi-annual report of the Resolution Trust Corporation, the agency in charge of mopping up the 1980s savings and loan debacle. This includes the affairs of Madison Guaranty, the failed Arkansas savings and loan at the heart of the Whitewater controversy.

Some Republicans may seek to turn the hearings into a Whitewater probe, but it is far from clear whether this will be allowed.

US-North Korean relations are clouded by the dispute over the inspection of North Korea's nuclear plants

25 FRIDAY

Opec considers oil price

Oil ministers from the Organisation of Petroleum Exporting Countries meet in Geneva amid continuing signs of oil price weakness. Analysts say there would have to be a cut of at least 1m barrels a day in the present Opec output ceiling of 24.52m b/d to have any significant impact on prices.

Ugandan poll: In the country's first experiment in democracy since 1980, Ugandans start voting for a constituent assembly (to Mar 27). The assembly will endorse a new constitution and clear the way for parliamentary and presidential elections.

Saleroom: A painting of a defiant stag in the Scottish Highlands by Sir Edwin Landseer is to be offered at Christie's in London. Scene in Braemar is equalled only by the famed Monarch of the Glen as an example of the artist's empathy with nature. It carries a top estimate of £1.2m. and is the star lot in an auction of Victorian pictures.

Cricket: Third test match between England and the West Indies begins in Port of Spain, Trinidad (to Mar 30).

Holidays: Greece, national day.

26-27 WEEKEND

Italian general election

Italy votes under a new electoral system on Sunday and Monday.

Boat race: The annual rowing contest between the universities of Oxford and Cambridge takes place on the Thames in London on Saturday.

Passover, the Jewish religious festival, begins on Saturday evening.

Summer time begins in Europe on Sunday. Clocks go forward one hour.

Ukrainian parliamentary elections have a first round on Sunday.

Turkey's municipal elections on Sunday will be a test for prime minister Tansu Ciller.

France stages run-off ballots in local elections on Sunday.

Americas leader: The 32 members of the Organisation of American States vote on Sunday for a head to replace Joao Baena Soares of Brazil.

Football: In the English Coca-Cola Cup Final, Manchester United play Aston Villa at Wembley on Sunday.

Compiled by Patrick Stiles. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Tuesday: The French trade surplus is expected to fall to FFr7.5bn in January from the very large FFr13.2bn in December. Italian inflation is under control and consumer prices should show only a small increase in March.

Wednesday: The German M3 money supply figure is expected from the Bundesbank any time from Wednesday on. It is forecast to show an annualised rise of 15.0 per cent in the money supply in February, after January's 21.2 per cent increase. The peculiar method of calculation, comparing each month with 1993's fourth quarter average, will continue to produce high rates of growth for some time. Germany's March cost-of-living indices may show subdued inflation.

Thursday: Final estimates of UK gross domestic product in the final quarter of 1993 are unlikely to show a change from the previous estimate of 2.6 per cent annual growth in Q4, but will provide a breakdown of the balance of payments for 1993.

Friday: The UK Confederation of British Industry's monthly survey of manufacturing trends will provide clues as to how optimistic industry is about the recovery.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Monday	US	Feb Treasury budget	$44.0bn	$15.6bn
Mar 21	France	Dec current account	Ffr6.1bn	Ffr3.1bn
	UK	Feb trade balance ex-EC	-£800m	-£785m
	Italy	Mar consumer price index – cities*	0.2%	0.4%
	Canada	Jan retail sales*	-0.3%-0.6%	0.9%
Tuesday	US	FOMC meeting in Washington		
Mar 22		Jan trade balance	-$9.0bn	-$4.0bn
		Jan merchandise trade	$41.3bn	-$9.0bn
		Johnson Redbook		5.8%
	France	Feb consumer price index – final*		0.2%
		Jan trade balance	Ffr7.5bn	Ffr13.2bn
		Feb new housing*		11.0%
	Canada	Jan merchandise trade surplus	C$841m	C$524m
Wed	US	Feb durable orders	-0.5%	3.7%
Mar 23		Feb durable shipments		-0.6%
	France	Feb household constructions*	0.5%	0.9%
	UK	Feb retail price index*	0.4%	-0.4%
	Australia	Feb motor vehicle registrations	2.25%	6.4%
Thursday	US	Initial claims – from Mar 19	340,000	342,000
Mar 24		M1 – from Mar 14	$1.5bn	-$0.4bn
	UK	Fourth quarter GDP – final**	2.6%	2.6%
	New Zealand	Feb trade balance		NZ$67m
Friday	US	Minutes of Feb FOMC meeting		
Mar 25	Japan	Feb consumer price index**	1.1%	1.2%
		Mar consumer price index**	1.4%	1.3%
	UK	Mar CBI monthly distributive trends		
During the week...				
	Japan	Mar trade balance – first 10 days		$2.0bn
		Fourth quarter 1993 GDP	-3.4%	2.0%
		Mar w'sale price index		-0.2%
	Germany	Jan trade balance	DM7.0bn	DM8.5bn
		Jan current account	-DM1.0bn	-DM0.8bn
		Mar cost of living – preliminary*	0.2%	0.3%
		Feb Ifo business climate		91.3
		Feb producer price index*	0.2%	0.4%
		Feb M3 from fourth quarter base	15.0%	21.2%R
	Italy	Jan industrial production*	0.4%	0.9%
		Jan producer price index**	3.7%	3.9%
		Feb Italian bank lending	-0.8%	-1.4%
		Feb M2 – three-monthly average**	7.5%	7.7%
	Denmark	Feb consumer price index*	0.4%	0.0%
	Finland	Feb trade balance	FM3.6bn	FM3.6bn

*month on month, **year on year

Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

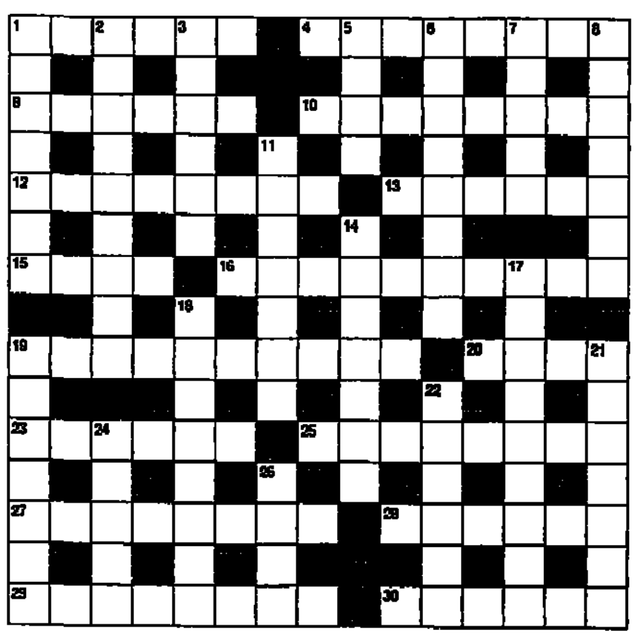
No.8,409 Set by VIXEN

ACROSS

1 The provision of money within reason (6)
4 No saint – a composer of music (6)
9 Recover say in the shower (6)
10 Made up undisturbed (8)
12 Regular study by good man, a hard worker (8)
13 The odd 30 from France (6)
15 To be retrospective is bad (4)
16 Practical when dealing with a certain issue – and clever (10)
19 Fighting men may be made to give their names (3,7)
20 Forced to turn over a cheese (4)
23 Game will find a way to cross a river (6)
25 Give voice about the players, fuming (8)
27 Steady flow at day's end (8)
28 A woman some people remember thankfully (6)
29 They circulate – so they say! (8)
30 Eccentric 13 sisters winning renown (6)

DOWN

1 Note the infallible guide's craft (7)
2 Taking a break, entering a far-distant country (9)
3 Such clothing gets by (6)
5 Nothing is in order – play on this (4)
6 A quiet family man, that's obvious (8)
7 Laid into trendy lot (5)
8 An old writer is rather slow (7)
11 In time coming to accept one is not permanent (7)
14 Goes along with dope – sent inside (7)
17 Stick around mind, working out for a game (9)
18 "They are not long, the weeping and the —" Dowson (8)
19 The board acquiring gold picture (7)
21 Get a man involved – a big business man (7)
22 Calling for private transport always (6)
24 Into oriental exercise, though not very efficient (5)
26 Engineers fix up running water (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday March 31, marked Monday Crossword 8,409 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Tuesday April 5.

Name...

Address...

Winners 8,397

Mrs S.A. Andrew, Bradford-on-Avon, Wiltshire
Peter W. Booth, Watford
Ms L.K. Childs, Droitwich, Worcs
F.W. Fulcher, West Runton, Norfolk
D. Gibson, Dollar, Clackmannanshire
M. Moriai, Winchester, Hampshire

Solution 8,397